

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Tilting at the Tory monopolists: Lombard, Page 23

Stocks	3422	Germany	10300	Portugal	24220
Bonds	100.50	France	103.50	Spain	207.00
Commodities	87.48	Italy	13700	Switzerland	204.10
Oil	33.00	Japan	1450	USA	244.00
Gold	320.50	UK	1150	West Germany	244.00
Exchange Rates		USA	1.66		
Dollar	1.66	DM	1.36		
Yen	163.50	FF	166.50		
Mark	1.36	£	1.58		
Franc	166.50	₹	166.50		
Pound	1.58	₹	166.50		
₹	166.50	₹	166.50		
₹	166.50	₹	166.50		
₹	166.50	₹	166.50		
₹	166.50	₹	166.50		

## World News

## Business Summary

### US Congress ACEC and Alstom set up joint subsidiary

US House of Representatives last night passed a trade bill aimed at making industry more competitive in the world despite President Reagan's threat to veto it in its present form.

ACEC, Belgium's heavily loss-making electrical engineering and electronics company, is to merge a key area of its activities into a joint subsidiary with the French company Alstom, leading electrical contractor. The move is part of a wider reorganisation plan. Page 24

RUPERT MURDOCH'S News Corporation announced it planned to sell its Boston television station WFXB. This is despite a recent Court of Appeals ruling overturning the Kennedy-Hollings Amendment prohibiting ownership of television stations and newspapers in the same market. Page 25

Honduras alert: Hundreds of troops backed by tanks moved into Tegucigalpa, Honduras, as the armed forces accused left-wing terrorists of plotting violence during a planned march in protest against US control over the Government.

Algeria rejects criticism: Algeria emphasised that it would be unresponsive to any international criticism of its mediation in the hijacked Kuwait Airways affair which saved the lives of 31 hostages but apparently allowed the nine hijackers freedom from any judicial proceedings.

Panama shooting: US guards near two American military bases in Panama fired on intruders in incidents similar to two which occurred last week, the Pentagon said.

Lebanon banks closed: Banks closed in Lebanon as workers responded to a general strike call over pay. In other sectors the stoppage was virtually ignored.

Fusion study begins: An international project to examine the feasibility of producing almost limitless sources of energy with nuclear fusion began in Vienna.

Comecon 'isolated': Soviet Prime Minister Nikolai Ryzhkov sharply attacked Comecon, the Soviet-led economic and trading bloc, which he said had become isolated in the past 20 years. Page 5

Bribery ruled out: The Indian Government said official investigations into a 1981 submarine contract, worth \$400m, with Howaldtswerke-Deutsche-Werft of West Germany had produced no evidence to support allegations that 7 per cent bribes were paid. Page 4

Senegal rioting: Rioters burned cars and threw stones at police near the presidential palace in Dakar as opposition leader Abdoulaye Wade was brought to trial at the Supreme Court charged with "attacks on the internal security of the state." Page 4

Ciskei shootout: Two black South African policemen were killed in a shootout with at least one ANC guerrilla in a house in the Ciskei tribal homeland.

Kidnap rescue: Police in Dhaka said they had rescued nearly 100 kidnaped Bangladeshis, mostly women and children, destined for sale overseas.

Locust plague spreads: The UN Food and Agriculture Organisation said that a plague of desert locusts to north Africa had spread more rapidly than expected, already reaching some west African countries.

Turkish tyre strike: About 1,800 workers at a tyre factory in Izmir, western Turkey, went on strike in a wage dispute.

EC aids handicapped: The EC announced the launch of an Ecu12m (£23.6m) four-year programme to help more than 30m handicapped people in the 12-nation bloc.

## Iraq displays the battered remnants of fighting in Fao

BY ANDREW GOWERS IN THE FAO PENINSULA, IRAQ

"ALLAH IS THE GREATEST. Down with the Saddam. Welcome to the English started forniciously from the wall of a deserted building in the southern Iraqi town of Fao yesterday, one of the many testimonies to the recent enforced departure of Iranian Revolutionary Guards from the peninsula. The street outside was strewn with shells. Across the road, what appeared to be an abandoned education centre was piled high with dusty schoolbooks in Farsi explaining the mysteries of physics and biology.

A few yards further on, laid wall portraits of Ayatollah Ruhollah Khomeini, Iran's spiritual leader, and his chosen successor, Ayatollah Montazeri, were riddled with bullet holes. From the middle distance - and sometimes from a good deal closer came the muffled thud and rumble of Iranian and Iraqi artillery across the Strait al-Arab waterway.

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## Japan's Big Four securities houses see profits slide

By Ian Rodger in Tokyo

THE PROFITS of Japan's powerful Big Four securities houses - Nomura, Daiwa, Nikko and Yamachi - have taken a rare tumble in the wake of last October's worldwide stock market crash.

The four, which have risen rapidly in recent years to join the first rank of the world's financial institutions, yesterday reported pre-tax profit declines ranging from 20 per cent to 39 per cent in the six months to March.

Many leading European and US stockbrokers and merchant and investment banks have already disclosed substantial profit setbacks resulting from the October crash.

However, while securities houses elsewhere still seem uncertain about the near-term outlook, the Japanese companies all expressed confidence that their profits would recover in the current second half.

They blamed the profits slide, not so much on a retreat in share prices, but on the accompanying fall in trading activity in Tokyo.

Volume on the Tokyo Stock Exchange fell from a daily average of 1bn shares in September to 464,000 in November.

But share prices there have recovered strongly in the past couple of months surpassing pre-crash peaks in many cases, and trading activity has picked up again.

Profit figures from the Big Four, covering parent company results, mainly concern their activities within Japan.

The consolidated figures, which come later, may show larger declines because of tougher conditions faced by overseas subsidiaries following the crash.

Nomura reported that its brokerage commissions dropped 31 per cent.

The slump in brokerage business for the four was offset to some extent by a huge increase in new issue activity.

They earned an aggregate ¥30.1bn (\$240m) from the sale in November of 1.9m shares of Nippon Telegraph and Telephone (NTT).

The Japanese Government's sale of its shares to Japan Air Lines last November and a series of rights issues by Japanese banks also helped the underwriting business.

Details, Page 28

## Botha defies Right in commitment to black power-sharing

BY ANTHONY ROBINSON IN JOHANNESBURG

PRESIDENT P.W. Botha of South Africa yesterday offered blacks a voice in electing the country's head of state and defied rising white racism by reconfirming the Government's commitment to multiracial power sharing.

Mr Botha, speaking in Parliament yesterday, also suggested recreating the post of Prime Minister, thus diluting the Gandhian-style powers and duties given to the State President by the 1984 constitution.

At present Mr Botha is the head of state, party and government, a concentration of powers last seen in the hands of the late Soviet President, Mr Leonid Brezhnev.

The President was making his first major speech since the white supremacist Conservative Party (CP) trounced his ruling National Party (NP) in three by-elections last month.

He signalled his intention to carry on the dogged search for a gradualist power sharing formula, which would bring blacks closer to the decision-making process while still excluding them from parliament and real power.

Mr Botha's speech came just a day after the CP revealed an election manifesto which pledged "to fight to protect white rights" and restore all the apartheid laws abolished over the past three years of "peaceful resistance".

He called for the support of all those who saw whites in general and Afrikaners in particular as "part of the solution" to South Africa's problems.

Mr Botha explained that recreating the post of Prime Minister to link other routine government affairs would free the President for a more strategic policy role, especially in regard to bringing blacks into the system.

He proposed that the presidential electoral college should be extended to include nominated blacks. It is presently made up of 28 members nominated from each of the three racially segregated chambers of parliament but with a built-in white majority.

He also suggested that blacks should be invited to a reformed President's Council, the high-level policy advisory body, and also hold executive positions in government up to deputy minister rank "for example, to assist the Minister of Constitutional Affairs or the Minister of Education", he said in response to CP interjections.

Mr Botha made clear that the new offer to blacks was aimed at persuading black "moderates" to join the Government's proposed National Statutory Council. The council has been conceived by the Government as a multiracial body to discuss a future power-sharing constitution, and to consult on policy formation.

However, it has been rejected by key figures such as Zakes Mda, Minister of Education, until the Government lifts the ban on the African National Congress.

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There was also concern within the Treasury that Mrs Margaret Thatcher, the British Prime Minister, who has long been enthusiastic about intervention because of its initial expansionary impact on the money supply, would view the potential losses as a further argument against efforts to keep the pound stable.

It was the massive scale of intervention needed to hold sterling

back the Iranians in any major way since the very first months of the war. Some officials are even inclined to boost that a turning point in the 7½ year old conflict has been reached.

The Iranian presence on Fao, albeit confined to the southern 20 kilometres of the peninsula, completely blocked Iraq's access to the Gulf and was used as a launching pad last year for Chinese-made silkworm missiles

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## Reagan warns Moscow as Shultz resumes arms talks

BY STEWART FLEMING IN WASHINGTON AND QUENTIN PEEL IN MOSCOW

MR GEORGE SHULTZ, the US Secretary of State, and Mr Edward Shevardnadze, the Soviet Foreign Minister, met yesterday to discuss progress on a deal to cut strategic nuclear weapons. They did so as President Ronald Reagan delivered a toughly worded speech in the US warning the Soviet Union over its actions in Afghanistan.

Mr Reagan warned that "any spreading of violence" in Afghanistan could remove the promise of improved East-West relations inherent in the signature earlier in the month of the Geneva Accords providing for the withdrawal of Soviet troops from the area.

Conservative Republicans criticised the Reagan administration of concluding a messy and unsatisfactory compromise on the withdrawal of the 115,000 Soviet troops from the region and of conducting a headlong rush towards détente with Moscow which would include the signature of a strategic arms treaty.

Mr Shultz and Mr Shevardnadze met to try to advance an agreement on a 50 per cent cut in their strategic armaments to time for next month's US-Soviet summit. But, in spite of a brave attempt to present the atmosphere as cordial and constructive, few officials on either side now believe that full agreement is in reach. The latter part of negotiations is seen rather as an attempt to find enough common ground on other issues - including bans on both large-scale nuclear tests and chemical weapons - and an agreed path to settlement of conflict in the Middle East.

Official spokesmen were giving nothing away during the early hours of two days of scheduled talks, although they revealed that both sides had brought their Middle East specialists to the meeting, in addition to their full teams of arms advisers.

The key issue bogging down the agreement on strategic arms reduction is seen to be the problem of how to inspect the two most elusive categories of weapons - sea-launched cruise missiles.

The US stepped up sanctions against the regime after Gen Noriega summarily sacked figurehead President Eric Arturo Delvalle on February 26. With US backing, Mr Delvalle had tried to dismiss the army leader, who has been under indictment on serious drugs charges in Florida since February 5.

The regime was already close to bankruptcy when its remaining liquid assets in the US were frozen, and Washington started to withhold \$16.1m a month due from Panama Canal and trans-Isthmian oil pipeline revenue. Subsequently, American companies have been banned from pay-

ment which convinced other branches of the Reagan administration that Gen Noriega would be removed specifically by the combined effect of diplomatic isolation and economic sanctions.

Though still intent on securing the General's removal, Washington tacitly recognises the use of economic and financial sanctions has so far failed.

A US delegation led by Mr Michael Kosak, a senior State Department official, and including representatives from the Pentagon, the National Security Council and the Central Intelligence Agency, left Panama yesterday after the first direct talks Washington has held with the regime since its attempt to persuade Gen Noriega to step down failed on March 20.

Previous discussions have been dominated by the State Department

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### THE GREAT ILLUSIONIST

CASTS ANOTHER SPELL

President François Mitterrand, the hot favourite to win another term of office, Page 3

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The Government is re-assessing the rateable value of all commercial premises. Your company will have received one of these forms from the Inland Revenue. The answers you provide could significantly affect the increase in your rates and you are strongly advised to take professional advice. For further information please contact John Devereux or Phil Redman.

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EUROPEAN NEWS

South Pacific islands wait for France to show its hand

By Chris Sherwell, recently in Papeete and Noumea

WHEN French voters begin electing a new president this Sunday, their country's foreign policy and its standing abroad will be far from their minds. But their choice will shape the stability of the other side of the globe, in the strategically important South Pacific.

Two key territories are involved: French Polynesia, five archipelagos centred on Tahiti and spread over an area the size of north-western Europe; and the islands of New Caledonia, six hours' flying time in the direction of Australia.

In French Polynesia (population: 185,000), local politics is in ferment because of the disintegration in December of the territorial government and the isolation of Mr Gaston Flosse, a local figure appointed by Prime Minister Jacques Chirac as France's South Pacific troubleshooter. At the same time indigenous Polynesians are displaying a reawakened yearning for independence.

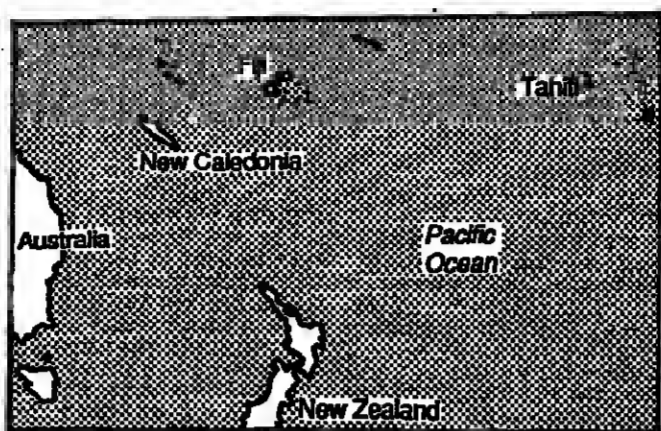
In New Caledonia (population: 150,000), racial tensions are again escalating as the intimidatory tactics of white settlers and the metropolitan French government push frustrated black Melanesians towards violence in a last-ditch bid to advance their independence cause.

Developments in both territories affect France's fragile relations with Australia, New Zealand and the other 13 countries of the South Pacific Forum. All are concerned by France's continued nuclear weapons testing at Mururoa atoll, and by the prospect of fresh trouble in New Caledonia.

The disturbing absence of tranquillity also fits awkwardly with traditional notions about these Pacific territories. For many Tahitians evoke romantic images of Captain Cook, of Captain Bligh and the Bounty, of friendly natives and coral islands.

Likewise New Caledonia, from Japan to Australia, is seen as a neighbourhood St Tropez offering an authentic taste of France, rather than an incipient Algeria. Bloody racial clashes are part of New Caledonia's history, but the most recent, in 1984-85, underscored the need for a peaceful solution.

The Kanaks argue they are being culturally and economically destroyed. Their moderate leader, Mr Jean-Marie Tjibaou, hovers between their withdrawal from conventional politics and the creation of more martyrs.



Inasmuch as Mr Mitterrand's re-election would bring a new government, the Kanaks feel it offers the better hope. But it would also threaten a backlash by white settlers, perhaps a declaration of unilateral independence if they thought policy was no longer in their favour.

That would make the difficult peacekeeping role of France's 6,000 troops and police particularly dangerous. But the alternative is worse: a potentially futile attempt to contain a rural Melanesian resistance movement.

US. Paris would not have its present difficulties with its Pacific territories and their anxious neighbours.

Mr Chirac moved to confront these problems in 1986 by appointing Mr Flosse, a Polynesian politician and businessman, as special minister. Helped by French propaganda and money, he has had some success in the region. But he has run into political trouble at home.

Like Mr Leleux in New Caledonia, Mr Flosse is a major backer and close friend of Mr Chirac. Unfortunately his activities on behalf of Paris and himself forced him early last year to pass the leadership baton locally to a trusted acolyte.

Last October, things changed. Contented with dock strikes in Mururoa and the capital Papeete, the French government threatened force. Riots followed.

Nothing like this had been seen before in Tahiti. A few weeks later, Mr Alexandre Leleux led a breakaway group from Mr Flosse's now-discredited majority party and joined with the opposition to oust Mr Flosse's embarrased successor and form a new territorial coalition.



FRENCH ELECTIONS

highly fragile. Like Mr Flosse, he backs Mr Chirac, but Mr Flosse is making the running in the local presidential campaign, clearly hoping for a springboard to fight back. With other ministers campaigning for Mr Mitterrand, the upcoming vote is a test of local support.

More important, because the Leontideff government includes individuals against France's nuclear testing and in favour of early independence for French

Polynesia, the vote has major implications for Paris.

French Polynesia, with its under racial mixing, is undoubtedly a more relaxed place than New Caledonia, despite undergoing one of the swiftest modernisations anywhere.

But as in New Caledonia the independentists are only tolerated up to a point. When modern television brings pictures instantly from violent trouble spots like the Gaza Strip or Northern Ireland, the old formulae for political containment look less dependable.

Paris knows its ultimate control of the two territories depends on the depth of its pockets. For now the colossal subsidies — at least \$5,000 (\$2,500) a head a year — are accepted in France, although the settlers enjoy big salaries and no income tax.

Indeed, French officials overlook the breathtaking inequalities in these societies and justify France's Pacific presence by pointing to the truly impoverished independent micro-states of the Pacific.

Mr Drollet's answer is simple and familiar. He says he'd rather be a lean dog without a chain than a fat one tied up.

Paul Betts and George Graham profile the nine runners lining up on Sunday in the French presidential race

Mitterrand: the great illusionist casts another spell

THE HOT favourite. Aged 71, the Socialist President kept everybody guessing until last month whether he would seek a second seven-year mandate at the Elysee, writes Paul Betts. It will be the fourth time François Mitterrand is running in a presidential race. He was defeated by General de Gaulle in 1965, and then by Valéry Giscard d'Estaing in 1974 before beating him in 1981.

Nicknamed in France the sphinx, the great illusionist, the Florentine or "Tonton" — uncle in burlesque French (which he likes) — Mr Mitterrand is universally regarded as the most accomplished and cunning politician in France. The Socialist leader, who has played down in the current campaign his Socialist credentials in an effort to swing the vote to his cause, was born on 26 October 1916 at Jarnac in the Charente into a respectable provincial bourgeois Catholic family.

His father was a stationmaster at Angoulême and Mitterrand was educated at a private school. After the war and an active role in the Resistance, he became a political opponent of General de Gaulle. Then aged 30, he became a deputy for the Rassemblement des Gauches Républicaines, a tag-team of centre-left movements. He was a government minister 11 times between 1947 and 1957 in a

Fourth Republic in which he thrived. Some of his opponents are now accusing him of seeking to re-establish a Fourth Republic political system with his re-election. He remodelled the Socialist Party and took over the reins of the modernised party at the Congress of Epinay in 1971. To unify the left end, as appears in retrospect, to ultimately weaken the Communists, Mr Mitterrand was

one of the main architects of the common programme with the Communists. After his election to the Elysee, he brought four Communist ministers into the first Socialist Government. In 1984, the divorce with the Communists was consummated. Mr Mitterrand had turned the Socialists into the biggest party in France, forcing the Communists into the ghetto and unseating himself for his overtone to the centre.

Chirac: seeks to end shotgun marriage

FRAGMATIC for some, cynical and lacking in convictions for others, the smiling six-year-old France's President, Jacques Chirac, came to the election after two years of "cohabitation" as right-wing Prime Minister under a Socialist President, writes George Graham.

A highly-strung chain-smoker, he worked in the civil service and as an aide of President Georges Pompidou, before becoming Employment Minister in 1967. After a string of ministerial posts, from Budget to Interior, he was picked by incoming President Valéry Giscard d'Estaing as Prime Minister in 1974.

Resigning suddenly in 1976, he set out to create his own power base, building the Rassemblement Pour la République (RPR) party out of the old Gaullist movements, and a regional base first in his native Corse, a mountainous area in central France, and then in Paris, where he was elected mayor in 1977.

He failed in his bid for the presidency in 1981, but in the process damaged the main right-wing candidate, the incumbent President Giscard d'Estaing, and is widely seen as responsible for his defeat by Mr Mitterrand.

His comeback came in March 1986, when he led a right-wing coalition of his own RPR and the more centrist UDF back into power in the legislative elections. He marked up a record of economic liberalisation, but the valiant student unrest in the winter of 1986 left a question-mark on his ability to unite French voters.

He now faces the difficult task of winning support from both the Barrists of the centre and the Le Pen supporters on the far right.

Named Prime Minister by President Valéry Giscard d'Estaing in 1976, in place of Mr Jacques Chirac, he plunged unpreparedly into the depths of unpopularity with his economic austerity policies — although the label of "the best economist in France" has stuck.

But his first election, as deputy for his home town of Lyons, did not come until 1973, and he has never built the core of party loyalty power base as his main rivals. Even though formally backed by the Union pour la Démocratie Française, he has received only lukewarm support from many of the party's bosses.

Now 64, Mr Barre has spent the past two years as the candidate of the right, preaching against the experiment of "cohabitation" with a Socialist President.

Barre: truth-telling has not inspired popularity

TORTOISE or teddy bear, the portly and egg-headed Mr Raymond Barre has in the last days before the election stepped up the pace of his plodding campaign, writes George Graham.

Perhaps the most decent and least cynical of the main candidates, Mr Barre has built the image of a man who tells the uncomfortable truths, and who stands outside the core of party politics. But his well-rounded figure and lecturing tone have not always inspired popularity.

Born on the Indian Ocean island of Reunion, Mr Barre still sounds like the economist professor who entered government some 30 years ago, at the industry Ministry, and became vice-president of the European Commission in 1967.

He has followed closely that of Mr Marchais. He became a full-time member when he was 28. In 1967, he was one of the last French Communist to attend the educational institute for Communist cadres in Moscow.

President of the French Communist parliamentary group in the National Assembly, Mr Lajoie has a good chance of succeeding Mr Marchais at the top of the party. However, much will depend on his electoral performance and some cynics suggest that Mr Marchais saw his candidacy as a poison pill for his possible successors.

If both men are committed to fighting reformist tendencies inside the party, they differ greatly in style. Mr Lajoie does not have the same taste for clowning and colourful rhetoric as Mr Marchais, although at rallies he speaks passionately about his political convictions and the role he believes the Communist can still play in France.

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Lajoie and Juquin: two voices of Communism

DOUBLE ACT. Andre Lajoie, the official candidate of the French Communist Party, has been the campaigner by Mr Georges Marchais, the party secretary general, who preferred not to run this time. And small wonder. Under Mr Marchais, the Communists have declined from the biggest party on the French left to less than 10 per cent of the national vote, writes Paul Betts.

Mr Lajoie has also had to contend with Mr Pierre Juquin, the presidential candidate of the standard Communist reformist faction. Mr Juquin, the party's official spokesman a few years ago, has led the campaign against the hardline old guard and is expected to win 2-2.5 per cent on Sunday. Mr Lajoie, long a leading member of the party's traditionalist camp, is expected to poll 5-7 per cent.

Aged 58, of farming stock (he comes from the same region of Corse as Mr Chirac), he is an apparition whose steady rise in

the party has followed closely that of Mr Marchais. He became a full-time member when he was 28. In 1967, he was one of the last French Communist to attend the educational institute for Communist cadres in Moscow.

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Le Pen: new look, old themes

THE OUTSIDER. The 60-year-old leader of the extreme right National Front has played posters of his broad, grinning face throughout France proclaiming him "L'Outsider" in the presidential race, writes Paul Betts.

Jean-Marie Le Pen, who has emerged during the past five years as a destabilising new factor on the French political chessboard, has dropped his black eye-patch, adopted a new respectable "look", brushed back his blond hair, and appears set to win many more votes than the official Communist candidate.

He has called himself the grand perturbateur. His high sense of political theatre and his exploitation of xenophobic and reactionary themes have placed him on centre stage in this election.

Mr Le Pen is an old political hand but it was only in the 1984 European elections that his National Front exploded on the French political scene, winning 10.9 per cent of the national vote.

Two years later, Mr Le Pen and 24 other National Front members made their triumphant entry into the National Assembly after polling 9.6 per cent in the 1986 legislative elections.

Even after his famous blunder last autumn when he dismissed Hitler's gas chambers as a "hoax", Mr Le Pen is still predicted by the latest polls to take 10-12 per cent on Sunday.

The son of a deep sea fisherman, Mr Le Pen was born at La Trinité-sur-Mer in Brittany and was educated by the Jesuits. His movement has played a role in the Poujadist populist movement in 1955 and was elected a deputy in 1966.

A few months later he volunteered for service in Algeria and subsequently took part in the Anglo-French Suez operation. A year later he left the Poujadists and in an electoral scuffle lost an eye in 1968.

A defender of French Algeria, he founded the Front National pour l'Algérie Française in 1969. In 1972 he founded the National Front, of which he became president. But he won only 0.76 per cent of votes in the first round of the 1974 presidential election.

Long-shot runners aim low

THE LONG shots of the field cover a wide spectrum from Trotskyism to ecology, writes George Graham.

Ms Arlette Laguiller, candidate of the Workers' Struggle party, is the most experienced presidential campaigner after Mr Mitterrand, although in her two previous forays, in 1974 and 1981, she won only 2.3 per cent of the votes. Now 43, she was the first woman to stand for the presidency, and has time in clock up several more candidacies.

Her minimalist campaign this time aims at 5 per cent of the vote — highly optimistic according to the polls — but her television harangues, in a passionate monotone, continue to arouse interest in her as the most fervent of the nine candidates.

The other far-left candidate, Mr Pierre Bousset

Lambert, 67, has been a militant Trotskyist since 1935, and was one of the leaders of the clandestine trade union movement in occupied France during the war. His anti-Stalinist line has created a "Lambertist" sect with offshoots in Latin America.

Mr Antoine Waechter (38) represents a milder current, the Green party. A militant ecologist since the age of 17, when he led a campaign in his native Alsace against a motorway extension, he represents the purist wing of the party, which took control in 1986, ousting those who wanted to move into the orbit of the mainstream left-wing parties.

His meetings have hosted some of the best music of the campaign, with the Caribbean singer Dede St Prix, as well as Cheb Kader, star of "rai" — a kind of electrified Berber folk music.

Volvo plans big changes in car assembly

By John Griffiths

VOLVO WILL embark in the autumn upon a radically new way of building cars in relatively high volumes, of up to 80,000 units a year.

Under the new system, a vehicle undergoing assembly will remain static at a work station for up to two hours. It will be moved only four times during the entire production process.

The concept is to be used in a plant being built at Uddevalla, near Volvo's main car plant at Gothenburg.

It will come on stream in September, building part of the Swedish executive car-maker's 700 series range, and reach full output in 1990. It will employ about 1,000 and have an annual single-shift capacity of 80,000 cars. But output of only 10,000 is envisaged in the first year.

Currently, Volvo is operating at full capacity for its larger cars of 800,000 units a year, excluding the small 800 Series cars built by Volvo Car BV of the Netherlands, in which the Swedish company has a 30 per cent stake.

Volvo officials make clear that the Uddevalla plant is seen as setting the pattern for its other car plants in Sweden. The main Gothenburg plant will be broken up into similar small production units as new models, designed to take advantage of such production systems, are introduced.

Smaller numbers. "Back in the 1960s, there were 10,000 working in the Gothenburg plants — that was too many and one of the reasons for building Kalmar," according to public affairs executive Mr Lars Nesser. Each one of the 1,000 at most 1,200, is a good number of people working together.

More than 30 fixed assembly sites are planned within Uddevalla, each of which will process four cars a day in full production. Each site will have a team of workers, who will have much more complex tasks to perform than is the case with conventional assembly lines.

This, Volvo believes, will create much more job satisfaction, with benefits for the company in improved quality.

The plant should thus display in near-ultimate form the "team" concept of assembling cars which Volvo pioneered at its Kalmar plant, on Sweden's south-east coast, almost 14 years ago.

At Kalmar, which recently has begun devoting its own 30,000-cars-a-year capacity entirely to the new range-topping 760 model, small teams of 15-25 workers assemble a car in stages as it moves sequentially through a ring of 25 workstations on the outer edges of a hexagonal shaped building. The teams draw their components from a central store at the building's hub.

Guided platforms. Unlike a conventional assembly line, the vehicles at Kalmar are carried on computer-controlled and guided platforms, or Trolly carriers.

However, while Volvo in the past has proclaimed Kalmar's methods as a breakthrough ending production line boredom and its attendant quality risks, the differences are mainly of degree.

Team members perform a greater variety of tasks than on a normal line as the car progresses through the team's zone, and workers decide between themselves how jobs should be rotated. But the Trolly carriers themselves act as an assembly line, moving at a speed set by a central computer.

The system is more flexible than an assembly line in that cars needing some form of rectification can be quickly moved into buffer zones in each team's area so that overall production flow is not disrupted.

But Kalmar plant director and Volvo Car Corporation vice-president Mr Leif Karlberg acknowledges that it is with some disappointment that Volvo has had to abandon the team concept, it hopes what was considered a key benefit of the team approach: team members taking responsibility for inspection and quality maintenance, as in Japanese assembly plants.

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Greece and Turkey set for clash at EC talks

### Greece and Turkey set for clash at EC talks

By Jim Rodgers and Andriana Kerodacou

GREEK on one hand, and Turkey along with the European Community's West German presidency on the other, appeared yesterday to be heading for a confrontation at a forthcoming meeting between officials from Ankara and the 12 EC states.

Both Greek and Turkish diplomats believe that objections from Athens may block any substantial progress at the meeting in Brussels on Tuesday of the EC-Turkey Association Council.

At talks in Brussels this week between the permanent representatives of the 12, Greece called unsuccessfully for the inclusion of a reference to the Turkish occupation of Cyprus in the joint EC statement that West Germany wants to present to the Turkish side.

Despite the improvement in the Greek-Turkish atmosphere following the summit in Switzerland in January, Greece is also sticking to old conditions for agreeing to the release to Ankara of a long-frozen EC credit of Ecu50m (\$380m).

Athens says it will block the funding until Turkish troops leave Cyprus and there is an improvement in Turkey's human rights performance. Given the scant chance of an early pullout from Cyprus, this amounts to a veto.

West Germany, which favours an improvement in EC-Turkish relations, is expected to seek a last-minute compromise when Community foreign ministers meet in Brussels on Monday.

Greece has, however, taken one step backwards from its previously total opposition to the warming of relations between the Community and Ankara.

It has signed a protocol under which it becomes party to the 25-year-old EC-Turkey Association Agreement. This gesture was made after Ankara rescinded a decree freezing Greek-owned assets in Turkey.

Ankara covers next week's talks to cover the issue of free circulation of Turkish workers within the EC. Bonn in particular is likely to have reservations about this.

Other subjects Turkey wants to see covered are the creation of a joint EC-Turkey parliamentary group, and closer political consultation.

### PARIS LAUNCHES CONTROVERSIAL PROGRAMME WITH FFR14BN CONTRACT

## France orders fighter prototype

BY PAUL BETTS IN PARIS

THE FRENCH Government has officially launched the controversial programme to build France's new generation fighter aircraft, Rafale.

It has placed a firm order with the Dassault-Breguet aerospace group to build the first prototype and an option for a second.

Barely three days before the first round of the French presidential election, the Government also placed an order for 10 prototype M-88 engines to equip the new fighter with the French state aero-engine manufacturer Snecma.

The two orders are worth a total of about FFR14bn (\$2.5bn) and confirm the commitment to

the new fighter aircraft programme of both Mr Jacques Chirac, the Neo-Gaullist prime minister, and President Francois Mitterrand.

The French defence ministry underlined yesterday that the two orders were the "first irreversible commitment" by the Government on the new aircraft programme and added that France continued to welcome cooperation with other countries on the Rafale.

**Vocal advocate**  
Mr Andre Girard, the French defence minister, has been a particularly vocal advocate of international cooperation on the

Rafale not only with other European partners but also with eventual partners in the US.

The French Government had indicated at the beginning of this year that it would place the first orders for the Rafale prototypes before the end of April.

At the French air show of Le Bourget last year, both President Mitterrand and Mr Chirac expressed their support for the costly Rafale programme which competes with the four nation European Fighter Aircraft (EFA) programme.

Short of new military orders, the Dassault group had also put increasing pressure on the Government officially to launch the new fighter programme.

The latest decision involves a firm order for the first of five Rafale prototypes to equip the French airforce in 1996.

### Naval version

The option for the second prototype, which is expected to be confirmed next September, involves the naval version of the Rafale to equip the French navy.

This initial contract involves a financial commitment of FFR7bn, three quarters of which will be supplied by the Government and the remaining quarter funded by Dassault. The Snecma engine contract involves a similar amount of about FFR7bn.

## Soviet Premier says Comecon set its sights too high in past

BY LESLIE COLLITT IN BERLIN

A SHARP attack has been made by Mr Nikolai Ryzhkov, the Soviet Prime Minister, on Comecon, the Soviet-led economic and trading block, which he said had become isolated in the past two decades.

His blunt criticism came at the close of a three-day visit to Hungary. The Hungarian news agency MTI said Mr Ryzhkov told the Hungarian Chamber of Commerce that Comecon had over-estimated its own possibilities in the 1960s and 1970s.

He complained that Comecon was unable to realise its scientific, potential which had held back scientific and technological progress. Comecon members had scattered their forces and thus were unable to act as equal part-

ners of Western countries.

Mr Ryzhkov discussed reform of Comecon in his talks with Mr Karoly Grosz, Hungary's Prime Minister. Both sides agreed that until Comecon could reform its pricing and financial systems and create a "socialist market", progress would have to be attempted at the bilateral level.

His outspoken criticism echoed a recent evaluation by Mr Oleg Bogomolov, a Soviet authority on Comecon, who said in an interview that reform would be slow.

Comecon would have to make do with its cumbersome barter-like exchange of goods until price reforms and some type of convertible currency were introduced.

Mr Ryzhkov endorsed Hun-

gary's wide-ranging economic and political reforms in a communique issued after his talks in Budapest which included a meeting with Mr James Kadar, Hungary's party leader. He said the Hungarian reforms were in harmony with the Soviet Union's own.

At a news conference Mr Ryzhkov indicated that he had also discussed the important forthcoming Hungarian and Soviet party conferences. A number of prominent Hungarian Communists and non-Communists have called on the Hungarian party to approve greater parliamentary control of the government and to reduce the party's influence over the appointment of officials and managers.

## Madrid likely to cut petroleum products prices

BY PETER BRUCE IN MADRID

THE SPANISH Government is likely to cut petroleum product prices by up to 7 per cent soon in an effort to rein in retail prices that are seriously threatening its 3 per cent inflation target for this year.

Mr Carlos Solchaga, the Finance Minister, has confessed to being concerned by the March inflation figure of 0.7 per cent which, added to higher-than-expected price increases in January and February, would mean an annual increase of nearly 4.5 per cent.

Critics of the Socialist Government have been scornful of the 3 per cent target, claiming it is hopelessly optimistic, and the March figures are likely to spur further trade union demands for higher wage settlement targets.

## Martens leaps back into Belgium's political centre-stage

BY TIM DICKSON IN BRUSSELS

THE SUDDEN re-emergence this week of caretaker Prime Minister, Mr Wilfried Martens, as a serious candidate to lead the next Belgian coalition has injected fresh excitement into negotiations which have dragged on for more than four months.

However, the development will not necessarily be decisive in breaking the deadlock which set in almost immediately after December's inconclusive general election result.

Local opinion polls show that Mr Martens, who has been the dominant figure in Belgian politics since 1978, would still be the most popular leader of a new Government, while his achievements in pursuing a programme of economic austerity over the past six years mean his return would also be welcomed abroad, notably in financial circles.

The trouble for his supporters is that he has consistently voiced his dislike for the policies of the Socialist parties, big winners in last year's elections. Since the end of last month they have been in almost constant talks with Mr Jean-Luc Dehaene, a close colleague of Mr Martens in the Flemish-speaking Christian Democrat party (CVP) and the man currently charged with forming a new administration.

As one commentator pointed out yesterday: "Mr Martens has a reputation as a great survivor. If he came back at the head of a centre-left coalition he would earn a reputation as the local vicar of Bray."

Because of Belgium's fragmented political parties - the major ones are split along linguistic lines - no Government is in practice possible without the

consent of at least four partners. Attempts earlier this year by Mr Guy Spilliaers and Mr Willy Claes, the leaders of the two Socialist parties, to move the negotiations forward came to nothing but over the last three-and-a-half weeks speculation has been mounting that Mr Dehaene was getting close to a compromise with the Socialists, the two centre-of-the-road Christian Democrat parties (the CVP and the PSC), and the Volksunie, a Flemish nationalist party.

The main sticking point remains what to do about Les Fourons, the tiny commune best known for its militant mayor, Mr Jose Happart, whose antics were a major factor in the downfall of the last coalition between the Christian Democrats and the right-wing Liberals.

The revival of Mr Martens' chances this week appears to be mostly the work of party colleagues, who have inspired press stories (not denied) about his willingness to head a Government on three major conditions. These are a continuation of the tough economic and budgetary programme of the last few years, a clear commitment to "institutional reform" (essentially more devolution of economic power to the regions) and a solution to the "Fourons" problem which is satisfactory to him.

In many ways the CVP and the Socialists would prefer Mr Martens to Mr Dehaene, though for different reasons. Mr Dehaene is seen inside his own party as too closely identified with the Christian unions, while the Socialists see Mr Martens as the best guarantee of long term stability inside the Government, and a dangerous threat outside.

## Nato venue changed over Danish N-ship row

By David White, Defence Correspondent

THE CRISIS over Denmark's policy towards allied warships has led Nato to postpone an official visit there next week by Lord Carrington, its secretary-general, and to change the venue for a ministerial Nuclear Planning Group meeting, which was due to take place in the Danish town of Kolding next Wednesday and Thursday.

Nato said the postponement and the last-minute switch in plans for the important defence ministers' meeting were agreed by both sides after consultations between Lord Carrington and Denmark's Nato ambassador.

The Nuclear Planning Group meeting is to be held in Brussels instead.

The talks would have come within a fortnight of the May 10 general election which Mr Poul Schluter, the Danish Prime Minister, called on Tuesday after the controversial parliamentary vote tightening the country's stance towards nuclear weapons.

Lord Carrington has reiterated Nato's "grave concern" about the resolution, under which Denmark would remind every visiting Nato vessel that the country did not accept nuclear weapons on its territory in peacetime. This, Lord Carrington said, would run counter to the basis of Nato strategy and the principles of shared burdens and benefits.

Both the US and the UK insist that they will stand by a policy of neither confirming nor denying whether their vessels are in fact carrying nuclear weapons.

Sir Geoffrey Howe, the British Foreign Secretary, warned earlier this week that the UK would be unable to fulfil its Nato obligation to reinforce Denmark's defences if the resolution remained in force.

## Craxi claims single 'guiding mind' in Rome behind Red Brigades

BY JOHN WYLES IN ROME

THE SEARCH for the killers last Saturday of Senator Roberto Ruffini has been cast in a bizarre light by a confident assertion from former Prime Minister Bettino Craxi that there is a single guiding "mind" behind the Red Brigades terrorists and that he lives in Rome.

Given the nation's addiction to conspiracy theories, the Socialist leader's observations, delivered

in the coffee bar of the lower house of Parliament, have been amply broadcast by the Italian press. Some of his fellow politicians and many magistrates, however, are suggesting that he is being slightly barmy, but other experts are cautious about rejecting his theory.

For reasons best known to himself, Mr Craxi has exhausted a debate which began 10 years ago

during the kidnapping and subsequent murder of the Christian Democrat elder statesman, Aldo Moro. Mr Craxi then espoused the theory of a Grande Vecchio (Grand Master) based abroad who was the brains behind the terrorists.

As many were pointing out yesterday, Mr Craxi has since been Prime Minister for four years with opportunities to

bounce his speculation off the Italian secret service.

He denied yesterday that he was referring to the putative Grande Vecchio of 10 years ago, repeating a phrase he used in the coffee bar - "Call him what you will."

Those who tend to believe in the existence of a sinister manipulator of terrorism cite the various communications which the Red

Brigades groups have issued after their assassinations. These are thought to be too analytically sophisticated and political to be produced by an ordinary terrorist.

As expected, a document turned up yesterday claiming responsibility for the Ruffini murder and confirming the suspicions of most analysts that the aim was to attack and disrupt the

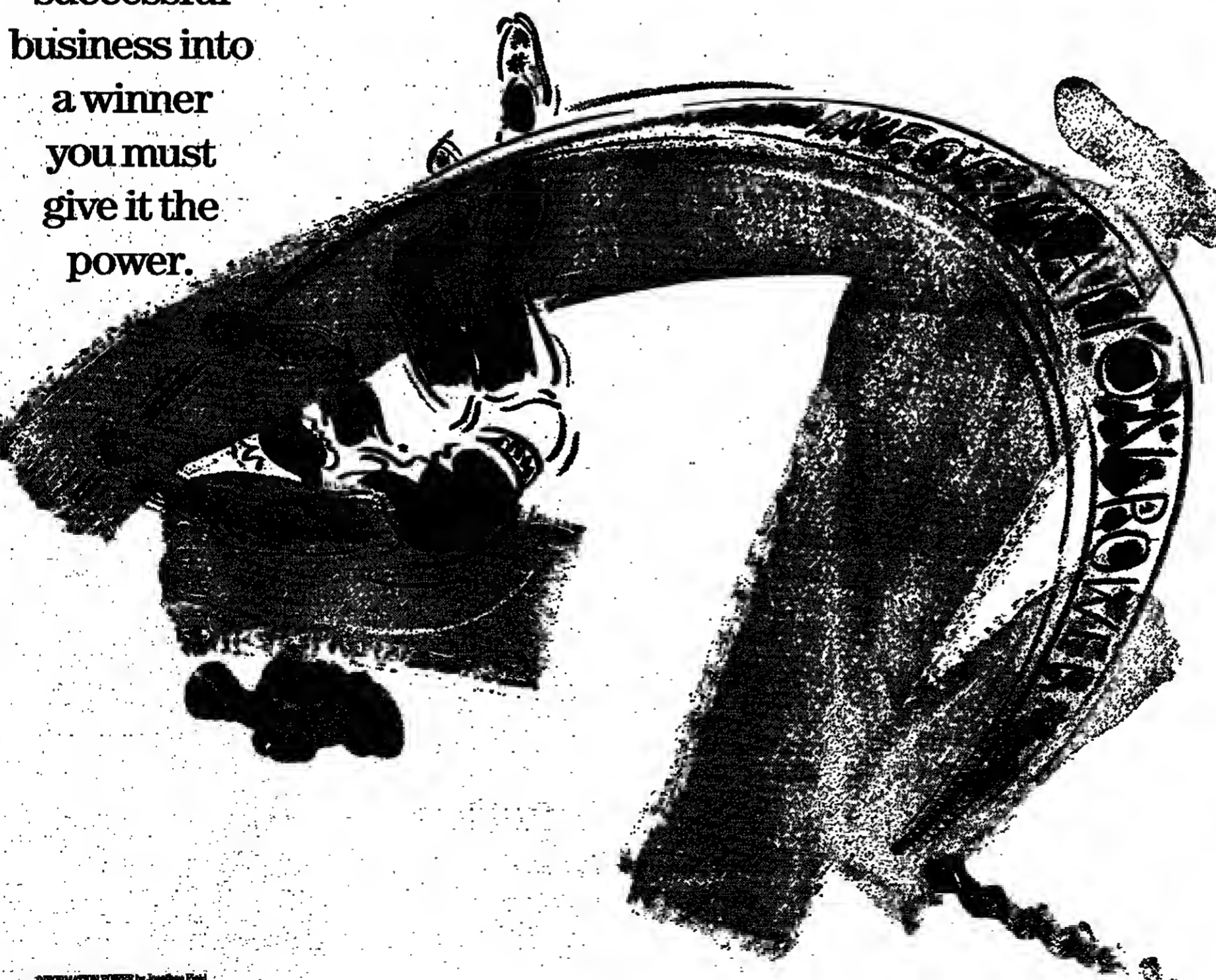
new Government's plans for institutional reform. The "Fighting Communist Party" said Senator Ruffini was the political brain behind Prime Minister Ciriaco De Mita's "plans to re-order the powers and functions of the state" and that his murder was part of the terrorist group's plan "to equip and to lead the proletarian way in the prolonged struggle against the state."

### Czech ranks thinned

A new Czechoslovak federal government with fewer ministries and government members and a reduced staff was appointed yesterday, one day after the old government formally resigned, AP reports from Prague.

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OVERSEAS NEWS

Opposition leader's trial sparks Dakar riot

By Simon Clarke in Dakar

RIOTERS BURNED cars and threw stones at police near the presidential palace in the centre of Dakar yesterday as Abdoulaye Wade, leader of the opposition Senegalese Democratic Party, was brought to trial at the Supreme Court charged with attacks on the internal security of the state.

The charges arise from the rioting which began at his party's headquarters following national presidential elections in February. Mr Wade accused the Government of rigging the results, which returned President Abdou Diouf to power.

Police yesterday used armoured personnel carriers and tear gas to disperse crowds who had gathered to support Mr Wade at the court. Cars were burned in the streets and barricades erected as demonstrators retreated towards the central business district of the town. A state of emergency imposed after February's violence is still in force, although a midnight curfew was lifted last week.

Security forces appeared to have the situation under control by early afternoon, with traffic flowing normally throughout Dakar. Mr Wade's trial has been postponed until next Monday.

Celebrating Israelis mark 40th anniversary

BY ANDREW WHITLEY IN THE WADI ARA, NORTHERN ISRAEL

SEVERAL hundred Jewish settlers chose this densely Arab-populated district of Israel, where trouble has occasionally flared between the two races, to mark the country's 40th anniversary.

As other Israelis plucked and attended military displays, the settlers listened to fiery political speeches defending their claim to be able to live anywhere in the Biblical Land of Israel - from the Mediterranean to the Jordan river.

The keynote speaker was Mr Uri Landau, a prominent right-wing parliamentarian, who said that, 40 years on, Israel was still fighting for self-determination. The organisers of the rally, which drew a disappointing turnout, deliberately chose the location as a challenge to local Arabs. Another band of about 200 settlers held a similar rally south of Bethlehem. In the occupied West Bank. But journalists were barred from the second day running from the West Bank or the Gaza Strip, and thus were prevented from attending the event.

At least half the 1.5m Palestinians of the occupied territories spent the day - for them the anniversary of the end of Palestine, as it was - confined to their homes, under curfew. In Jerusalem, the highlight was the signing of a Memorandum of Agreement with the US codifying several earlier bilateral pacts in the economic, military and strategic fields. A long-sought goal of Prime Minister Yitzhak Shamir, the document was signed simultaneously in Washington by President Ronald Reagan. It is intended by Israel in commitment to future US Administrations to the same level of co-operation as the Jewish state has enjoyed for the past five years, but represents no significant increase in US assistance. The expanded agreement provides for enhanced political con-

tacts, within "a comprehensive framework for continued consultation and co-operation". Mr George Shultz, the US Secretary of State, is expected to return to the Middle East in the first week of May, for another round of his peace mission. His decision to go ahead with the new memorandum at this time is regarded here as another attempt to reassure Mr Shamir of unwavering US commitment to Israel's well being.

between extremist followers of pro-Iran Hizbollah and the moderate Amal militia earlier this month in the aftermath of growing tension over the disappearance of Col Higgins. Yesterday's statement accused Col Higgins of supervising the activities of a Pentagon team specialising in combating Islamic, Lebanese and Palestinian organisations and of filing reports on military and political affairs in south Lebanon.

Syria declines opportunity to heal rift with Arafat

BY TONY WALKER IN DAMASCUS

THE FAILURE of Mr Yasser Arafat, chairman of the Palestine Liberation Organisation, to appear in Damascus on Wednesday for the funeral of his slain deputy is being widely interpreted here as a sign that little progress has been made in the past year towards reconciling the PLO leader with President Hafez al-Assad of Syria.

The Syrians, in effect, discouraged Mr Arafat from coming to Damascus by offering no guarantees that he would meet Mr Assad. These conditions were reportedly unacceptable to the PLO leader, who could not afford to be thus humiliated.

The PLO has been disappointed in its hopes that its enhanced sta-

tus in Arab forums - as a consequence of the uprising in the West Bank and Gaza Strip - along with the death of its military commander at the hands of the Israelis would encourage the reconciliation process with Syria.

A Western official in Damascus said that Syria had made it clear it would not provide Mr Arafat with a forum in which to demonstrate before thousands of cheering supporters that he had prevailed over Syrian attempts to eliminate him.

Since a reconciliation in Algiers last April of the biggest PLO factions, the guerrilla organisation has been seeking better relations with Syria.

US kidnap victim faces 'trial'

BY NOBA SOUSTARY IN BEIRUT

THE kidnapers of Lt-Col William Higgins said in Beirut yesterday he would be put on trial for crimes involving spying for the US.

A statement by the "Organisation of the Oppressed on Earth" was the second by pro-Iranian captors since the 15-day drama of the Kuwait Airways Boeing 747 airliner hijacked on April 5 ended in Algiers on Wednesday.

The Arabic type-written communique was accompanied by a black-and-white photograph of Col Higgins, the chief of the Lebanon unit of the UN Truce Supervision Organisation. He looked downcast and drawn.

When flight KU 422 was in Larnaca, a statement in the name of his captors said that he would be

executed if any attempt was made to storm and rescue the airliner.

"This criminal will now be referred to the 'court of the oppressed' to go on trial for the crimes he committed," the group said.

Col Higgins was abducted in south Lebanon on February 17 while driving back from a visit to an official of Amal, the mainstream Shia Muslim movement.

The photograph and press release issued yesterday were the first indication that the US military officer was still alive only four days after the Christian Voice of Lebanon reported that he had been killed in clashes between Shia factions.

Fierce fighting erupted

between extremist followers of pro-Iran Hizbollah and the moderate Amal militia earlier this month in the aftermath of growing tension over the disappearance of Col Higgins.

Yesterday's statement accused Col Higgins of supervising the activities of a Pentagon team specialising in combating Islamic, Lebanese and Palestinian organisations and of filing reports on military and political affairs in south Lebanon.

The decision to release the statement at the conclusion of the thwarted hijacking mission served to remind the world that Iran-linked fundamentalists holding foreign captives could still tamper with the lives of their hostages.

Delhi probe rules out bribery in submarine deal

BY JOHN ELLIOTT IN NEW DELHI

THE INDIAN Government yesterday said official investigations into a 1981 \$400m (\$212m) submarine contract with Howaldtswerke-Deutsche-Werft of West Germany have produced no evidence to support allegations that 7 per cent bribes were paid.

A statement in Parliament by Mr K.C. Pant, the Defence Minister, said investigating agencies concluded that the Europe-based Indian trading family of Hindujas had had no link with the contract, and that that there was no evidence of an Indian agent being involved. There was also no evidence of breaches of India's foreign exchange and income tax laws.

The Government hopes that the statement will help in ending one of two cases of alleged corruption which rocked the government of Mr Rajiv Gandhi last year. The other concerned a \$1.6m Swedish Bofors gun contract, which is still the subject of considerable controversy.

Opposition MPs yesterday criticised the Government for not producing the full reports of the investigating agencies. The first inquiry was ordered last April by Mr Vishwanath Pratap Singh, then Defence Minister, who later resigned and is now a leading

opposition figure in the country. In 1981 India ordered two ready-built submarines from HDW, and two in kit form for construction near Bombay. From the end of 1985 India was discussing buying two more. It received a report early last year from the HDW that the company had cut its tender prices because of 7 per cent commissions payable to its agents, who it was later suggested were the Hinduja family.

Employment of agents is banned in Indian defence contracts, so Mr Singh ordered the inquiry. HDW later said that negotiations had been held directly with the Indian Government and that no agents were involved apart from Globtech, a New York firm. The West German Government had been notified in 1983 about Globtech and no commission was involved.

Separate reports have been prepared on the operation of Indian and foreign agents and the Defence Ministry is believed to be preparing codes of conduct to differentiate between full agents who have a sales role and are paid commissions, and others who handle routine business such as appointments, hotel bookings, and freight deliveries.

Australia bows to Tokyo on price of embassy land

BY IAN RODGER IN TOKYO

THE Australian Government has become a highly publicised victim of the Japanese Government's belated attempts to force down Tokyo's sky-high land prices.

Australia has been planning for months to take advantage of Tokyo's soaring land prices by selling part of its spacious embassy grounds in the city. Earlier this year, it concluded an agreement with a group of developers to sell 1.29 million metres of embassy land for a reported ¥37,500 (\$240m, or about £38,000 a square metre).

Then, in accordance with Japanese law, it submitted the deal to the Tokyo Metropolitan Government for approval. But the deal, which would have been virtually automatic, has been virtually automatically blocked.

But in the past year, in response to a public outcry over soaring land prices, the Tokyo authorities have begun blocking deals that they think represent an increase over prevailing prices.

What happened after that is obscured by a lot of diplomatic language, but the upshot is that the Australians have agreed to reduce their selling price, apparently by 5 to 6 per cent. "It is a lower price," Mr Howard Debenham, counsellor at the Australian Embassy in

Tokyo, confirmed yesterday. However, neither he nor the Tokyo Metropolitan Government would confirm or deny any of the figures involved. "Negotiations have proceeded in a normal and reasonable fashion and an agreement has been reached," Mr Debenham said.

The story has been front-page news in Japanese newspapers this week. Reports have suggested that the Australian Embassy was put under intense pressure by the Tokyo authorities. City officials have been quoted anonymously saying sternly that no exceptions to the guidelines will be made, even for embassies.

If the Australians are unhappy about being used as an example of the Government's new determination to combat high land prices, they are not saying so. "We do not really have any feelings about it," Mr Debenham said. "We knew it was a big newsworthy item. It involves a large amount of money and the public is interested."

Also, there must be some consolation in the proceeds from the sale, which are hundreds of times bigger than what the Australian Government paid for its entire embassy property in 1951.

Talks start on coalition for Papua New Guinea

BY CHRIS SHERWELL IN SYDNEY

PAPUA NEW GUINEA, Australia's northern neighbour, entered a fresh phase of political uncertainty yesterday as government and opposition began efforts to form a coalition of national unity.

The moves came one day after Mr Pales Wingti, the Prime Minister, and Mr Michael Somare, leader of the opposition, unexpectedly agreed to bury their long-standing differences in the interests of stability.

Reports from the capital Port Moresby, however, suggested that both leaders were finding it difficult to persuade their followers to go along with the unusual plan.

The coalition plan followed a protracted period of political turmoil which led last week to the adjournment of Parliament as the opposition was about to move a no-confidence motion.

Mr Wingti quickly brought the former army commander, Mr Ted Diro, back into government, despite allegations of corruption hanging over him which must still be settled.

Last August it was Mr Diro's support which helped Mr Wingti to continue as Prime Minister after a closely-fought general

election, the third since independence in 1975.

His rival, Mr Somare, the father of Papua New Guinea's independence, first lost the Prime Ministership in 1985, and has since been leading an opposing coalition.

On Wednesday he surprised many by joining with Mr Wingti to announce a government of national unity. Yesterday the two began the difficult task of allocating a finite number of portfolios in their followers without causing too much antagonism.

Developments are being watched closely by Australia, a leading aid donor and ally, and by Indonesia, which shares a border.

Papua New Guinea is important both strategically and for its gold, copper and oil resources, which are being exploited with the help of multinational mining companies.

The country's general lack of political stability has long been attributed to shifting parliamentary allegiances and regular use of the no-confidence motion. Formation of a coalition of national unity, if it could be achieved, was yesterday expected to encourage constitutional changes which would help remedy the problem.

Urgent African aid sought

BY MICHAEL HOLMAN, AFRICA EDITOR

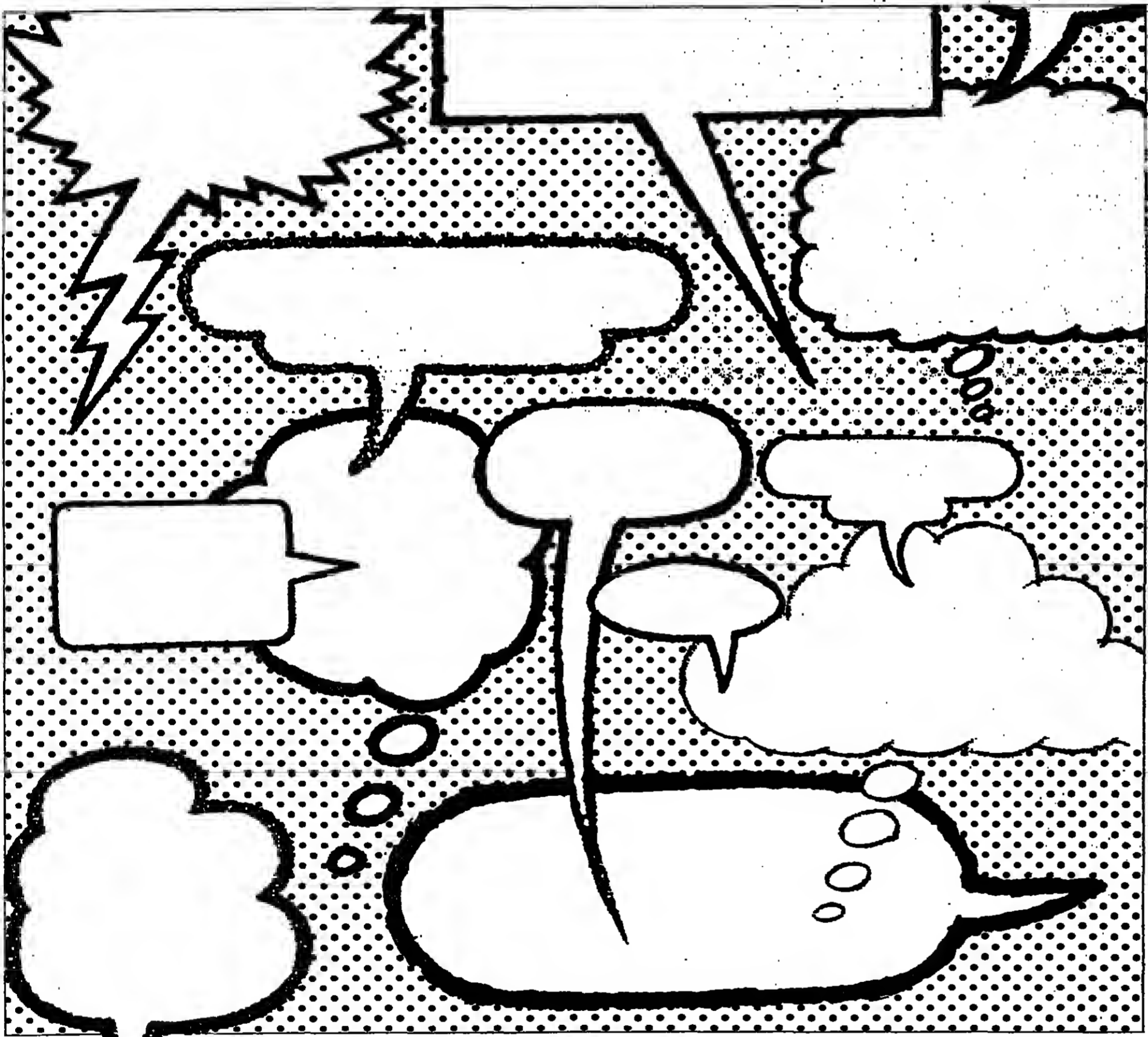
AFRICA needs urgent international assistance to cope with the challenges posed by the problems of mounting external debt, population increase and health needs, and the difficulties of countries in the drought-prone belt which stretches across the continent, says a book published yesterday, written by Britain's Overseas Development Institute and commissioned by the Save the Children Fund.

The 64-page report, with a foreword by the Princess Royal, president of Save the Children, calls for a "major effort" to reverse Africa's economic decline.

"Africa is seen by the public as the major current development challenge - for African governments and the international community in particular. . . . The problem is that the challenge is not being taken seriously enough by those governments which have the resources to respond effectively", says the report.

It analyses the causes of Africa's economic crisis, and considers the impact of measures to remedy it taken by African governments, western governments, and international institutions.

"Prospects for Africa, published by Hodder and Stoughton, £5.95.



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AMERICAN NEWS

Panama military sacks possible heir to Noriega

BY DAVID GARDNER IN PANAMA CITY

THE Panama Defence Forces have sacked a senior officer widely regarded as a possible successor to General Manuel Antonio Noriega...

Colonel Eduardo Herrera Hassan, for the past three years Panama's ambassador to Israel, was forced into retirement by a military "honour tribunal" on Tuesday...

US navy may extend Gulf shipping protection role

BY LIONEL BARBER

THE REAGAN Administration is considering extending the US Navy's protection of ships in the Gulf beyond those flying the American flag...

The White House has confirmed that a review of the rules of engagement - circumstances under which US forces are authorised to open fire - is under way...

Washington haunted by crime and violence

By Lionel Barber in Washington

WHEN Beverly Harris was stabbed to death in an apartment block in south-west Washington this week, she became the city's 100th murder victim this year...

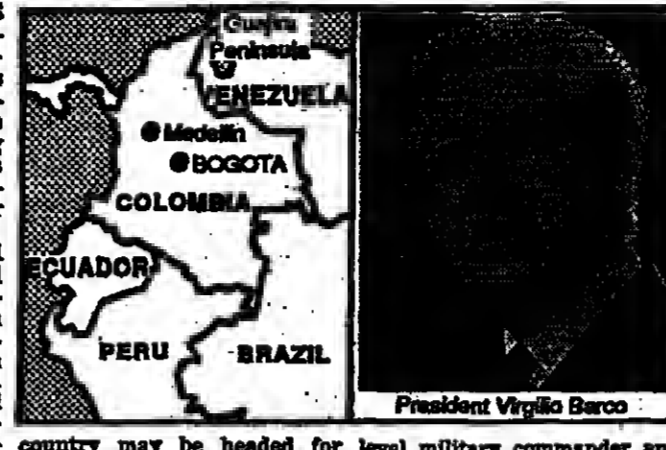
The Washington record for homicides was in 1980 when there were 277 murders...

The popular image of Washington DC as the city of sweeping green lawns and well-manicured lawns was never more than a postcard picture...

Though Beverly Harris's slaying was apparently related to a domestic argument, about 60 per cent of the homicides this year are drug-related...

Sarita Kendall reports on the problems of enforcing reforms while civil war threatens Colombia learns to accept violence too easily

AMNESTY INTERNATIONAL'S strong report blaming the Colombian Government and the military for human rights abuses...



country may be headed for full-scale civil war unless the Government reacts immediately...

The violence is as varied in origin as it is geographically: last week began with the shooting of a university student professor in Medellin...

After anguished calls from both the agricultural unions and the urban workers...

level military commander and announced emergency plans for the area...

The Government's decision to militarise Uraba has also been attacked as a dangerous precedent...

Other projects - including judicial reforms, the extradition of drug traffickers and broader powers to fight terrorism...

dealing with such situations. President Barco's January proposal to speed constitutional change by holding a plebiscite was unexpectedly well received...

In 20 months of Liberal government, eschewing the traditional consensus with the Conservative Party...

Colombia's ability to ride through appalling brutal civil war has often been tested in the past...

"The right to live" has become a slogan for marches and political gatherings around the country...

Brazil corruption inquiry fails to unearth hard facts

BY IVO DAWNAY IN RIO DE JANEIRO

TWICE this month the top-selling newspaper in Brazil has featured the topic as its cover story...

have all affirmed their conviction that malpractice has been commonplace. Since then, further inquiries by the senate committee have uncovered more mud but little genuine evidence...

in the Sarney administration have skeletons in the cupboard. Since then, further inquiries by the senate committee have uncovered more mud but little genuine evidence...

Mr Fumuro told the committee that he was surprised by officials in the Finance Palace, Mr Sarney's executive office, that the decree would be altered subsequently, but it was not.

His successor, Mr Bresser Pereira, revealed another unusual occurrence. He claimed that he had long been urging the elimination of a freight duty charged on imported goods...

Neither of these two cases has established corruption. But they have provoked widespread suspicion across the country and Mr Sarney has accused the committee of waging "moral terrorism" against his administration...

WORLD TRADE NEWS

House in bid to save trade bill from veto

BY NANCY DUNNE IN WASHINGTON

THE House of Representatives was last night considering a last-minute motion to save the 1988 Trade Bill from presidential veto by sending it back to a House-Senate conference...

President Reagan has said he will veto the entire bill if it comes to him with the provision requiring exporters to give at least 60 days' notice before large plant closures or lay-offs...

The motion to recommit the bill to conference was offered by Mr Robert Michel, the House Republican minority leader...

Organised labour has lobbied hard for the plant-closure measure, but some Congressional Democrats have considered removing it from the trade bill...

Bruce Clark, recently in Genoa, reports on an ambitious plan to expand port capacity more than threefold Genoa seeks to recapture medieval prosperity

"GENOA LA SUPERBA", the port city was called at the height of its medieval power as a city-state of colonisers, seamen and merchants...

Then the aim is to win back business from Switzerland, pushing northwards the East-West line dividing users of Mediterranean ports from users of northern ones...

Mr d'Alessandro, a former Fiat executive, is visibly relieved to have the strike behind him. The settlement has made it easier to indulge his real passion, which is sailing...

Labels results are encouraging. After a 14 per cent downturn in container business last year, activity in the port has risen by 45 per cent this year...

The initial aim is to recover the port's natural business, that of overseas exports from Milan. In recent years, Milan industrialists have preferred to despatch their goods from Rotterdam or Hamburg...

Japan seeks end to beef row

BY CARLA RAPOPORT IN TOKYO

A SOLUTION to the problem of Japan's restricted imports of oranges and beef, the subject of heated debate between Tokyo and Washington, is being sought within the country's ruling Liberal Democratic Party...

side says the incremental increase in imports should be 10 per cent annually. Despite the Administration's commitment to reform of agricultural imports, it is still resisting any pressure on the sensitive issue of rice...

On the issue of beef and oranges, Japan faces a Gatt panel on the matter if the two countries cannot reach agreement by May 4...

Mr Watanabe also said Japan must continue to stimulate its economy in order to maintain domestic growth. Reform of Japan's tax system would provide the fuel for continued economic expansion...

Israel, EC nearer to West Bank farm deal

By Andrew Whitty in Jerusalem

ISRAELI and the European Commission are edging towards a compromise agreement on their running dispute over the export of West Bank and Gazan agricultural produce to the Community...

In October 1986, the European Commission offered access to the Community market to farmers from the occupied territories, on the same terms as those enjoyed by Israel...

Under pressure from its farmers' lobby, Israel has argued that agricultural exports should go through one of two state organisations, the Citrus Marketing Board or Agrexco...

But question marks hang over the willingness today of Palestinian farmers to accept an arrangement they would have seized with alacrity six months ago...

In addition, several EC governments, notably those of Britain, France and Greece, are understood to be unhappy with some of the details of the new arrangements concluded last week...

Approval of the compromise by the Commission would enable the European Parliament to reconsider an agricultural trade protocol with Israel rejected last month...

Under new guidelines to Arab farmers in the occupied territories, issued by the Ministry of Agriculture in Tel Aviv, exports of Palestinian fruit and vegetables can either be handled by Agrexco, the Israeli state marketing organisation, or sold through private channels...

Pipelines 'could reduce demand for tankers'

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

DEMAND for crude oil tankers could be significantly reduced by pipelines under construction or discussion in the Middle East, according to a report from Inter-tanko, the international association of independent tanker owners...

Two pipelines are currently under construction - from the Iraqi oilfields to Yanbu, on Saudi Arabia's Red Sea coast, and an Iranian pipeline to Taber/Jask in the Gulf of Oman...

The report says these pipelines represent a reduction in tanker demand of 136bn ton-miles per year, the equivalent of 46 very large crude carrier cargoes to Rotterdam from Ras Tanura, the main Saudi loading point in the Gulf...

Tokyo confirms Gatt typewriter challenge

BY IAN RODGER IN TOKYO

THE Japanese Government yesterday repeated its intention to challenge the European Community's decision to impose anti-dumping duties on Japanese typewriters and weighing scales...

The duties were imposed on four Japanese producers of typewriters, and varied from from 8.5 to 14.5 per cent...

The EC has been campaigning against the establishment of so-called "screwdriver" plants in Europe, where companies attempt to avoid dumping duties on their finished products by importing components and assembling them there...

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The 300TE: 188 DIN/hp, 0-62 mph 8.8 seconds, top speed 130 mph.

Every estate car is designed to be practical. As a single design objective this is quite easily achieved: all you need is a van with an extra set of windows.

However, the concept of marrying a practical load space with the quality of drive and comfort of a saloon car is a different matter altogether.

After all, should luxury, comfort and style be the sole

preserve of saloon cars? Mercedes-Benz don't think so and have more than proved their point with the T-series: Why shouldn't an estate car driver be in control of a high-powered engine with smooth, responsive performance? Why shouldn't an estate car driver be able to take a corner at speed with confidence or drive long distances without weariness or discomfort? The T-series was purpose designed to provide extra space but not at the expense of those qualities that make a car a Mercedes-Benz.

To be judged a luxury car an estate needs to have a refined engine of two litres or more, power-assisted steering, a quiet interior with low wind and road noise, a smooth, comfortable ride, a stable suspension system for good road-holding and a high cruising speed for effortless long distance travel.

With the 2 litre 200T that is exactly what you get. Not to mention the many other standard features like the separate passenger and driver heating controls, tinted safety glass all round, heated windscreen washer nozzles, and the reason most people decide on an estate in the first place: a large load space that has a multiplicity of space variations with a rear bench seat that divides (one third/two thirds) and a front passenger seat that folds right back.

**Mercedes-Benz present  
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There are, of course, optional extras you can add yourself. Such as a power-assisted tilt or slide sunroof, cruise-control and a third row of rear-facing

seats which folds down flush with the floor. Should your motoring require an even higher degree of sophistication, the 2.3 litre 230TE and 3 litre 300TE will more than adequately provide it.

The top of the range 300TE has a powerful six cylinder, 188 DIN/hp engine which outperforms most luxury cars in its class. On the test track it can easily achieve 130mph and its 0 to 60 time is less than 9 seconds (manufacturer's figures). It also has automatic four-speed transmission with sport and economy selection, ABS braking and electrically operated windows as standard.

Completing the range is the 2.5 litre 250TD which has a supremely refined five cylinder diesel engine. It also shares a whole range of unique Mercedes-Benz features standard on all T-series models. These include a self-activated electric motor which firmly shuts the tailgate once it is in the 'close' position, the multi-link rear suspension system which incorporates a self-levelling device for sure-footed roadholding irrespective of load, electronic seat-belt tensioners which take up the slack in the front seat-belts on impact and, as you'd expect, energy absorbing front and rear crumple zones, with the rigid passenger safety cell which Mercedes-Benz invented.

All in all, four superb estate cars with an intricate variety of options and every conceivable comfort you'd expect from a luxury car. Proving that with a Mercedes-Benz estate you don't go without sophistication, you get it all with room to spare.

FT LAW REPORTS

Ship owes duty to insane seaman

ALI v FURNESS WITHEY (SHIPPING) LTD  
Queen's Bench Division  
Mr Justice Tudor Evans  
March 30 1988

A SHIP'S master who diagnoses insanity in a seaman and who is provided with a medical Guide instructing him on how to deal with mental illness, has a duty to act as a reasonable master, armed with the Guide, would act in the circumstances, and if, on recommendations in the Guide, the obvious course is to move the seaman ashore immediately after diagnosis, the shipowners will be liable for his death if it results from the master's unjustifiable decision to keep him on board.

Mr Justice Tudor Evans so held when giving judgment for the plaintiff, Mrs Dool Tarebi Ali, administratrix of the estate of her deceased husband, Mr Ahmed Yusuf Ali, on a negligence claim against shipowner, Furness Withy (Shipping) Ltd, under the Fatal Accidents Act 1976 and the Law Reform (Miscellaneous) Provisions Act 1934.

HIS LORDSHIP said that Mr Ali was employed by Furness Withy on the MV Joulie. He was an experienced and competent seaman, and was respected on board.

On March 27 1988 the Joulie anchored about one and a half miles off Skilda, an Algerian port.

The log recorded that at 15.16pm on March 29 Mr Ali alleged to the master that four persons were plotting to cause him serious injury, and that people and drilling holes in the bulkhead to keep him awake.

At 8.10am he said people were plotting to kill him. The master went to Mr Ali's cabin to see if he

could discover signs of drilling. There were none.

Mr Ali refused to return to the cabin. The master arranged for him to be lodged in the ship's hospital, but Mr Ali only stayed there for about five minutes. He complained that people were banging on the hospital door.

The master consulted the "Ship Captain's Medical Guide" which was provided on board and contained information about the diagnosis and nursing of mental disorder and insanity.

According to the master's evidence, when he looked at the Guide he began to think that Mr Ali was suffering from some sort of mental disorder, but he was not absolutely sure.

He persuaded Mr Ali to be accommodated in the Pilot's cabin. On the way there he saw Mr Ali was carrying a towel. When asked why he had the towel he produced a knife from under it.

During the morning the master carried out investigations. Those questioned were astonished at Mr Ali's allegations.

Between 11.30am and 12 noon the master concluded that Mr Ali was mentally disturbed. He decided in view of what he read in the Guide, that Mr Ali should be sedated. Mr Ali would not take the drink in which the tablets were dissolved.

At about 4.15pm, according to the log, the master contacted the agents requesting medical treatment ashore, but was told that was not possible as there was too much swell to run the pilot boat.

An obvious reading of that entry was that the master was in touch with the agents requesting a boat to be sent out to the ship

to take off Mr Ali, but in evidence he denied making such a request. He said he had no intention of sending Mr Ali ashore because of the swell and the hazards of transferring him from the Joulie to another vessel.

At 6.15pm the master visited Mr Ali in the pilot's cabin. He asked to be transferred to the master's bedroom as the safest place for him to be. That was obviously unsuitable and was rightly refused by the master.

Mr Ali then asked if he could go back to his own cabin. The master took him there and left a watch outside. At 9.30pm the watch heard banging noises inside the cabin. The master arrived at 9.35pm. Mr Ali opened the door and said he trusted no one on the ship.

The master then decided that the time had come to physically restrain Mr Ali. He used a Neil Robertson stretcher. There was a strap to secure the head. Canvas was wrapped around the chest and secured by straps. A further part folded over the hips and legs and was also secured by straps.

By 10.10pm, according to the log, Mr Ali was calmer. The watch remained.

At 10.20pm the master was called back to the cabin. Noises had been heard inside. The door was locked on the inside. The master key would not turn the lock. The Chief Petty Officer tried unsuccessfully to kick the door in.

The master suddenly thought that Mr Ali might be trying to get out of the port. He ran to the poop deck and ordered the crew to lower the accommodation ladder. He went down it as it was lowered. The forward port was

open. The master saw the cabin was empty.

The lifeboat was launched and flares were used. A message was radioed to Skilda and two tugs arrived. Mr Ali was not found. There was no doubt he was drowned, fleeing from his delusions.

The court was satisfied that the log was substantially and circumstantially correct.

The medical evidence was that Mr Ali was suffering from a severe episode of paranoid psychosis.

It was alleged *inter alia* that the master should have diagnosed mental derangement earlier than he did, and that he should then have taken steps to land Mr Ali for hospital treatment.

Furness Withy, as Mr Ali's employers, owed him a duty to take such reasonable care for his safety as the circumstances required.

There was no "practitioner" as to how to deal with a member of a ship's company who became insane, except for what was contained in the Guide.

The correct test when judging what should have been done in the circumstances, was to ask the usual question: what would the hypothetical reasonably prudent master, armed with the information in the Guide, have done in the like circumstances?

The greater the risks, the greater were the steps necessary to obviate them.

The question whether the master discharged Furness Withy's duty of care had to be judged in the light of his knowledge from between 11.30am and 12 noon on March 29, that Mr Ali was suffering from serious mental illness.

He was suddenly confronted

with a man, hitherto normal, making complaints which, though extraordinary, clearly required investigation. It was his judgment to wait to see how matters turned out in the morning. He acted properly, and was not negligent in failing to reach an earlier diagnosis.

When he did decide that Mr Ali was mentally ill he had sufficiently clear, comprehensive and explicit information in the Guide about the symptoms and what should be done.

He was told that delusions might be the first sign of mental illness, and that a mentally ill patient urgently needed correct and adequate treatment.

There were two guiding principles: "every case should be considered to be actually or potentially suicidal or homicidal"; and "mental cases rarely improve on board ship and the earliest opportunity should be taken to obtain skilled advice."

The master accepted that he was aware of those passages. At 11.30am to 12.00 noon he knew or should have known that he had on his ship a deluded, insane and potentially dangerous man who could not be expected to improve, and who urgently needed treatment ashore.

The obvious course was to take immediate steps to get Mr Ali ashore both for his own safety and that of the crew. The recommendations in the Guide should have been paramount in directing the master's actions.

As indicated in the log the master requested the agent to send a boat at 4.15 pm. That showed he had in mind the risks involved. When he made the diagnosis he knew or ought to have known

that it was necessary to take urgent steps to put Mr Ali ashore.

He should have obtained the assistance of a pilot launch or tug. When Mr Ali threw himself in the sea the port authority sent out two tugs very quickly. On the evidence it would not have been too hazardous to transfer Mr Ali to a launch or tug. Had that been done the death would have been avoided.

The master was not justified in believing that Mr Ali could, with reasonable safety, have been kept on board. He was negligent in failing to get Mr Ali ashore when he reached his diagnosis.

After 8.35pm when Mr Ali was transferred to his own cabin the ports were not checked and Mr Ali was left alone, inadequately restrained in the stretcher.

The master could have foreseen and did foresee how dangerous was Mr Ali's mental state. He was negligent with respect to the steps taken after Mr Ali was put in his own cabin.

Also it was readily foreseeable that a master key might have to be used in an emergency. The key did not fit when required in an emergency. Furness Withy had failed to carry out a proper inspection of the locks on board the Joulie. It accepted that had the key worked it would probably have saved Mr Ali's life.

For all those reasons, Furness Withy was negligent. Mrs Ali was entitled to damages.

For Furness Withy: Colin Mackay (Herbert Ross & Co)  
For Mrs Ali: Winston Roddick QC and Michael Soles (Garrath Elliot & Ross, Hongkong)

Rachel Davies  
Barrister

**Free State Consolidated Gold Mines Limited**  
(Incorporated in the Republic of South Africa)  
Registration No. 05/29210/06

**FIRST INTERIM DIVIDEND NO. 66**

On Thursday, April 21 1988, interim dividend No. 66 (being the first interim dividend in respect of the financial year of eighteen months ending March 31 1988) was declared as follows:

Amount (South African currency)	120 cents per share
1988	
Last day to register for dividend (and for changes of address or dividend instructions)	Thursday, May 5
Registers closed from 10 (inclusive)	Friday, May 6 Saturday, May 7
Ex-dividend on Johannesburg and London stock exchanges	Monday, May 9
Currency conversion date for sterling payments to shareholders paid from London	Monday, May 9
Dividend warrants posted	Thursday, June 9
Payment date of dividend	Friday, June 10
Rate of non-resident shareholders' tax	15 per cent

Holders of share warrants to bearer are notified that the dividend is payable on or after Friday, June 10 1988, upon presentation of coupon marked "South Africa" and No. 5 on the side reflecting the share warrant number, at the offices of First National Bank of Southern Africa Limited, Stock Exchange Branch, Diagonal Street, Johannesburg, South Africa; Union Bank of Switzerland, Bahnhofstrasse 20112 Zurich, Switzerland; Credit du Nord, 8 and 8 Boulevard Haussmann, 75008 Paris, France; and Banque Européenne Lambert, 24 Avenue Lambe, 1050 Brussels, Belgium, only. Coupons must be left at least four clear days for examination.

The full conditions relating to the dividend may be inspected at the Johannesburg and London offices of the company and its transfer secretaries.

Change of financial year end

It has been decided, for administrative reasons, to change the company's financial year end from September 30 to March 31. The current financial year of the company will therefore be a period of eighteen months ending March 31 1988. A second interim dividend will be considered by the board on October 30 1988.

By order of the board

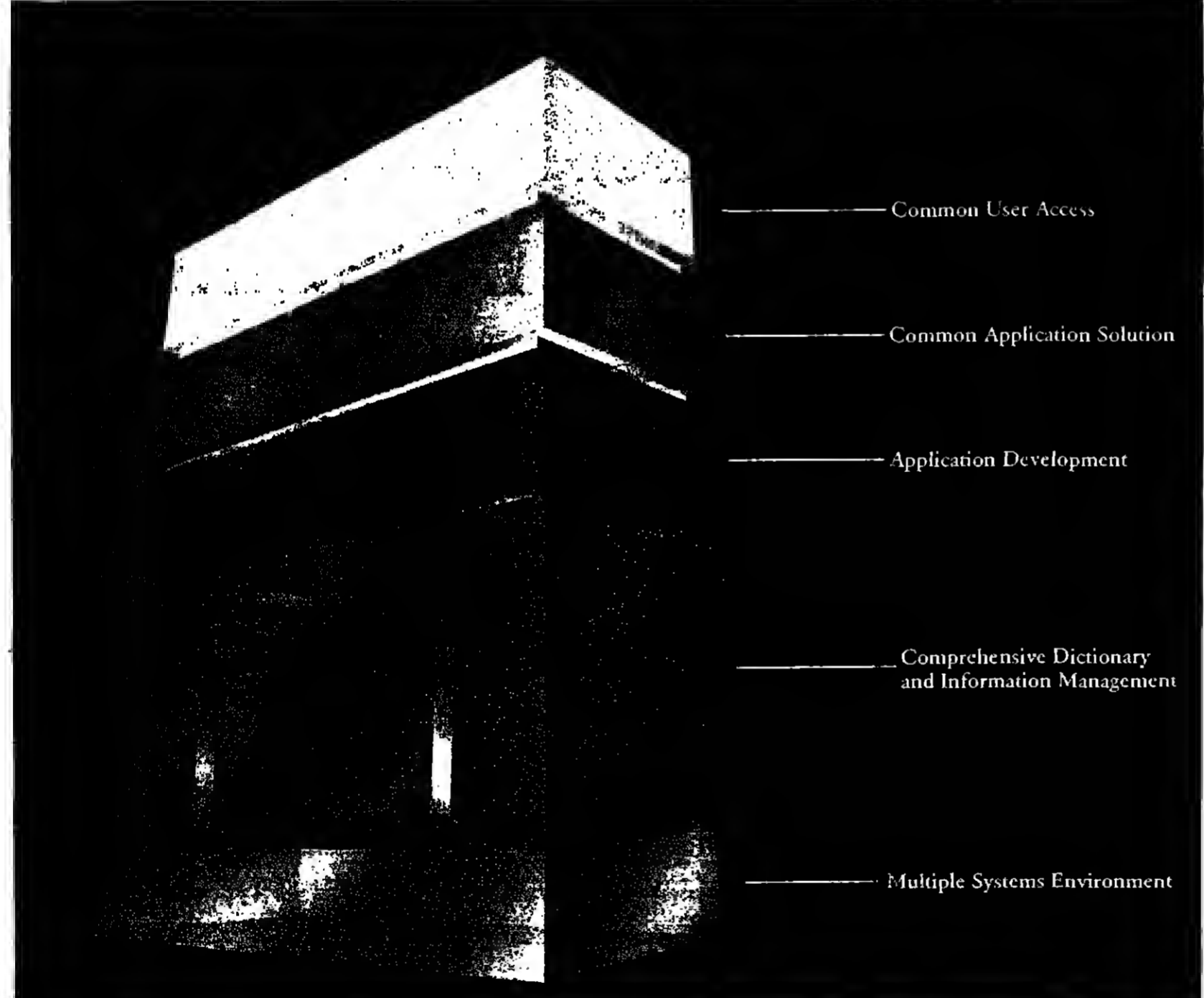
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Secretaries  
per: N.E. Sinton  
Divisional Secretary

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Registration No. 71/07001/06

**FINAL DIVIDEND - NO. 19**

On Thursday, April 21 1988, final dividend No. 19 in respect of the year ended March 31 1988 was declared payable to holders of ordinary and S ordinary shares, as follows:

Amount (South African currency)	60 cents per share
1988	
Last day to register for dividend (and for changes of address or dividend instructions)	Thursday, May 5
Registers closed from 10 (inclusive)	Friday, May 6 Saturday, May 7
Ex-dividend on Johannesburg and London stock exchanges	Monday, May 9
Currency conversion date for sterling payments to shareholders paid from London	Monday, May 9
Dividend warrants posted	Thursday, June 9
Payment date of dividend	Friday, June 10
Rate of non-resident shareholders' tax	15 per cent

This full conditions relating to the dividend may be inspected at the Johannesburg and London offices of the company and its transfer secretaries.

By order of the board

**ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED**  
Secretaries  
per: A.J.S. Sebba  
Companies Secretary

Head Office  
44 Main Street  
Johannesburg 2001  
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Johannesburg  
April 22 1988

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199 206	Am. Intl. Ind. Grp	199	0	10.0	5.8		
33 35	Amalgamated	33	0	-	-	-	
37 50	BBS Design Group (US)	37	0	2.2	4.1	8.0	
142 255	Borden Group	142	0	2.7	2.7		
148 157	Bray Technologies	148	0	5.2	3.7	10.2	
249 296	CCZ Group Grp	249	0	11.5	4.5	6.6	
131 124	CCZ Group 11% Cum Pref	130	0	13.1	21.6		
123 129	Carrollwood Delivery	123	-2	6.1	4.6	9.2	
106 100	Carrollwood 7.5% Pref	106	0	18.3	9.7		
228 147	George Blair	228	0	3.7	1.7	6.1	
75 60	his Group	75	-	-	-	-	
94 87	Johnson Group	88	0	3.4	3.9	9.7	
240 245	Methuene BV (AmstSD)	245	0	10.4	3.3	12.5	
52 48	Robert Leedes	42	0	-	-	2.4	
126 124	Sovacore	124	0	5.5	4.4	9.8	
204 194	Torrey & Corliffe	200	0	7.7	3.9	7.7	
80 54	Truon Holdings (US)	80	-6	2.7	3.4	8.6	
106 100	Unicredit Europe Corp	106	0	8.8	7.5		
280 285	W.S. Yates	280	-2	16.2	5.8	7.9	

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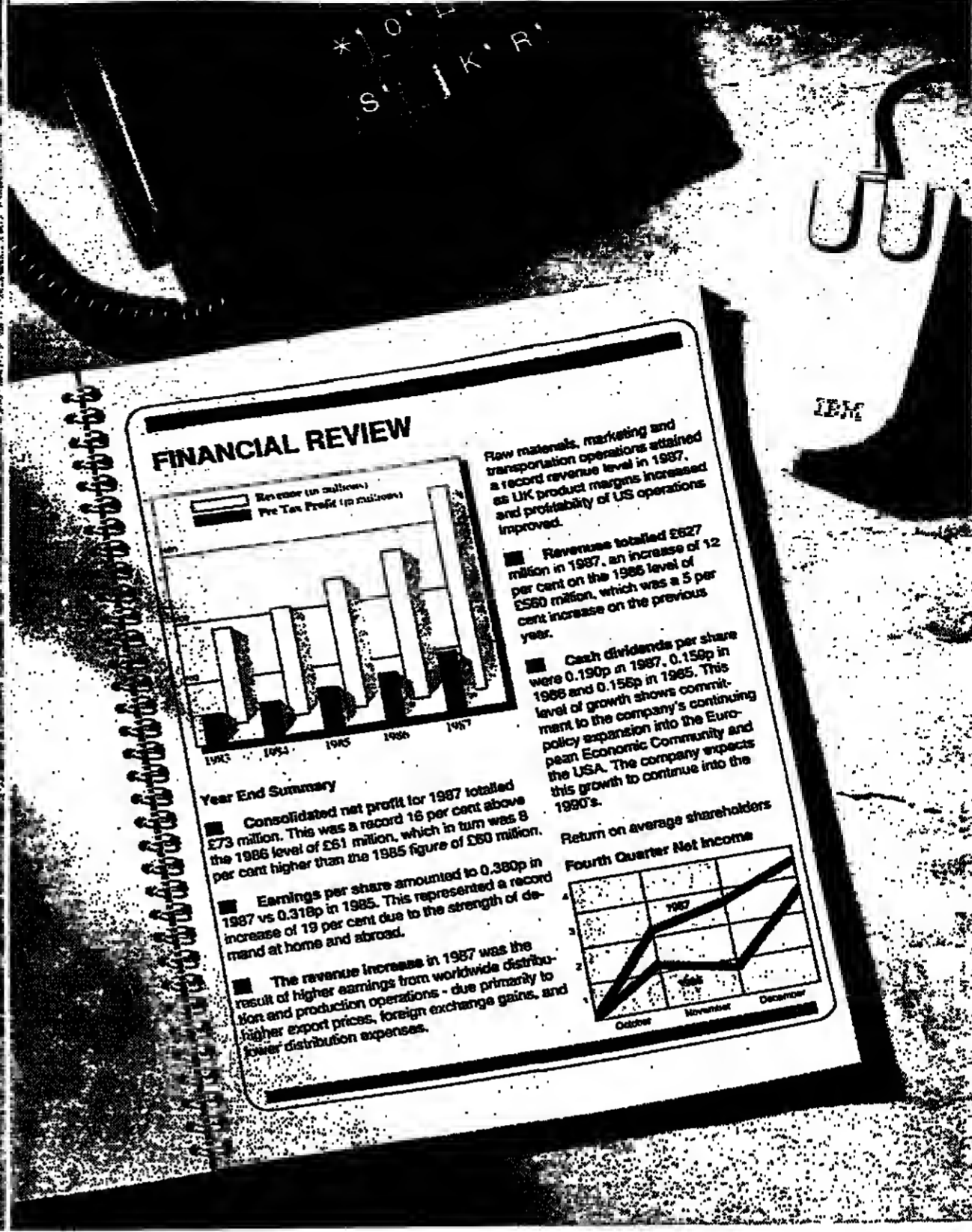
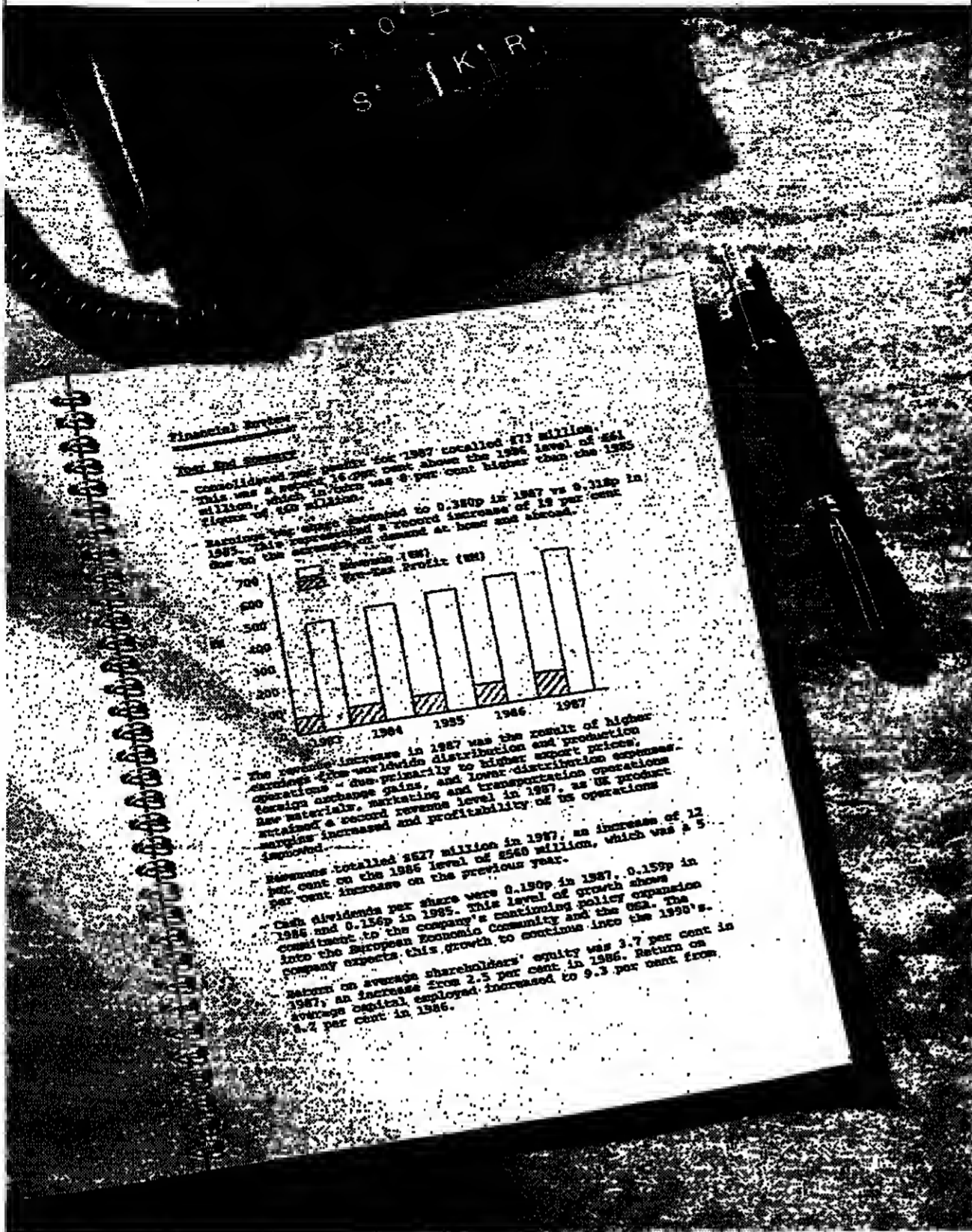
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DEPARTMENTAL REPORT MAY 8TH.

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UK NEWS

Lottery set up to supplement health service

BY FEONA McEWAN

THE NATIONAL Health Service, the state provision of medical care which is under severe financial strain and Government review, could receive a cash infusion of up to £40m a year from gambling.

Plans for a pioneering national lottery with a potential top prize of £200,000 were announced yesterday in the UK.

The scheme, which has been worked out after taking "extensive legal advice" by a company called Loto, is based on establishing 100 local lotteries each selling tickets corresponding to a pair of district health authorities. A national lottery would be illegal under existing legislation.

Players will pay up to £2 for a stake in the weekly draw and the winning pool will be half of the total stake money. The NHS will receive 35 per cent of the stake money with the remaining 15 per cent going to the cost of running the lottery.

The scheme was outlined by Sir Douglas Black (pictured right), past president of the Royal College of Physicians and of the British Medical Association. He is chairman of the newly established National Hospital Trust, which, along with Mr Roger Cummins of Loto who devised the scheme, will run the lottery.

The other trustees are Sir Adrian Blennerhassett, a management consultant, and Professor George Teeling Smith, the director of the Office of Health Economics.

Sir Douglas stressed that the lottery is "a contribution not a substitution" for finance from taxation for the NHS. He said he had no qualms about sourcing health funds from gambling. The Health Service needs more money, he said.

Professor Smith said: "It seems to fit in with what we understand is the Government's philosophy."

"It will be illogical if the government objects," says Sir Douglas Black. "First, because it runs its own sort of lottery - premium bonds - and second, because it is agreed by Government and opposition that there is scope for more money to come into the NHS."

The organisers hope to turn over about £70m in the first year, rising ultimately to the maximum possible £150m under the present legislation.

The NHS allocation will at first be distributed evenly to health authorities nationwide to spend as they see fit.

Mrs Edwina Currie, junior health minister said yesterday that the Government would be

watching with interest, but added that it could never rival the billions the Government contributes to the Health Service.

A Health Department spokesman said the scheme would be studied and hoped it would not affect the valuable charity work being done in these areas locally.

At the start, five million homes in England, Scotland, Wales and Northern Ireland, will receive coupons through the mail. If the lottery is a success, the original plan to blanket the whole country.

The game consists of selecting four numbers out of a selection of 49. The first prize goes to those with all four correct. The odds of winning outright are one in 211,876. Second prizes will go to those with three correct numbers.

The lottery is being financed on an initial sum of £250,000 raised by Mr Cummins and financier Mr Southall Mansour.

Lotteries in the UK, unlike most other western nations, have a poor record of success. Cummins says it is hard to know how the British public will take to this idea but six weeks should tell. The organisers expect to attract 100,000 players from the first week, rising to about 1.5m participants. The lottery requires 50,000 players to break even.



**EUROACTIVIDADE AG, Vaduz**  
The Shareholders of Euroactividade AG, Vaduz, are hereby convened to attend the 11th Ordinary General Meeting which will be held on Wednesday May 11th, 1988 at 10.00 a.m. in the Hotel Savoy, Zurich, with the following agenda:

**A G E N D A**

1. Approval of the Minutes of the 10th Ordinary General Meeting of Shareholders held on April 24th, 1987.
2. Submission of the reports of the Board of Directors, the balance sheet and the profit and loss statement as per December 31st, 1987.
3. Submission of the report of the Statutory Auditor.
4. Approval of the report of the Board of Directors, the balance sheet as well as the profit and loss statement as per December 31st, 1987.
5. Discharge to the Board of Directors in respect of the carrying out of his duties during 1987.
6. Determination concerning the profit as per December 31st, 1987.
7. Split of the shares 1 to 10.
8. Resignation of the Board of Directors.
9. Election of the Board of Directors.
10. Election of the Statutory Auditor.
11. Sundries.

The Business Report containing the balance sheet, the profit and loss statement, the report of the Statutory Auditor as well as the proposal of the Board of Directors how to utilize the profit as per December 31st, 1987 is at the disposal of the Shareholders at the Head Office of the company as from April 25th, 1988. The Shareholders can receive the Business Report in addressing their written request to Fides, Elisabethenstrasse 15, 4051 Basel.

The Shareholders who wish to attend the Ordinary General Meeting or wish to be represented by another shareholder can get their entry card either at their depository bank until May 5th, 1988 or directly at Fides, Elisabethenstrasse 15, 4051 Basel, against presentation of a bank certificate stating that their shares are blocked.

On behalf of the Board of Directors  
The President: Klaus H. Moeller

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**Taxes boost surplus in PSBR**

BY SIMON HOLBERTON

HIGHER tax revenues and lower public spending were responsible for a public sector borrowing requirement surplus of £3.6bn in the 1987/88 financial year, according to official Treasury figures.

The PSBR was ABOUT £300m above the Treasury budget forecast.

Analysts said it was too early to challenge the Treasury's forecast of a PSBR surplus of £3.2bn for the current year but there was a general presumption that it was a cautious prediction.

The Treasury said the main reason for the surplus in the PSBR was the higher-than-estimated growth in revenues. Income and company taxes grew 15 per cent last year compared with a Treasury forecast of 12.5 per cent, and revenues from customs and excise grew 9 per cent compared with a forecast of 8%.

However, savings on public spending were also made. Expenditure was 3% per cent higher in 1987/88 than in the previous year, primarily the result of lower outlays for unemployment and other social security benefits.

In the budget the Treasury said public expenditure was likely to be £2.6bn less than its first forecast and the figures indicate that it might turn out to be up to £2bn less than planned.

The figures show that the general government borrowing requirement was £100m less than estimated at the budget and that the public corporations borrowing requirement was £400m less

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UK NEWS

Nurses win full pay review rise of 15.3 per cent

BY MICHAEL CASSELL

THE GOVERNMENT yesterday attempted to regain the initiative in the debate on its handling of the national health service by deciding to fund in full pay increases averaging 15.3 per cent for Britain's 867,000 nurses. Many backbench Conservatives last night warmly welcomed the pay rise, which they said should boost morale within the NHS and help recruitment. Some emphasised, however, that the awards will have little impact on the continuing problems of under-funding within the health service and that the issue will have to be faced sooner rather than later. In a series of pay awards ministers have at the same time restricted pay awards for 2,000 senior civil servants - including judges and senior civil servants - to average rises of between 6.4 per cent and 7.4 per cent. These increases, together with average rises of 6.4 per cent for the armed forces, will have to be met out of existing departmental budgets. The NHS increases - nine out of 10 nurses will receive rises of between 6.3 per cent and 8.9 per cent, with a small number getting up to 10 per cent - are substantially higher than had been expected. A staff nurse in intensive care could see her annual salary rise by over £2,000 to £10,650 while the salary of an experienced sister in an acute ward could rise from £12,000 to £13,925. The awards, which were endorsed at yesterday's cabinet meeting, also include average increases of nearly 9 per cent for those working in professions allied to medicine and rises of just under 8 per cent for doctors and dentists.

EC must agree any aid for 'dream ship'

BY WILLIAM DAWKINS IN BRUSSELS

ANY GOVERNMENT aid for Harland and Wolff, the state-owned Belfast shipyard hoping to be contracted to build the world's largest cruise liner - codenamed the Ultimate Dream - would have to be cleared by the Brussels Commission in advance, EC officials confirmed yesterday. The £60m project, believed to depend on the top 28 per cent subsidy rate allowed under EC rules, was discussed briefly yesterday at a meeting on EC regional assistance for the province between Mr Peter Schuijdhuis, the West German Commissioner for regional policy and Mr Peter Viggers, Industry Minister in the Northern Ireland Office. Mr Viggers told journalists later: "It is premature to speculate how the Government will respond until we have received the costings from the company." He said the government was committed to EC shipbuilding aid rules and recognised "that any support cannot exceed the 28 per cent limit. It is not a flexible limit."

P&O talks with striking seamen stay deadlocked

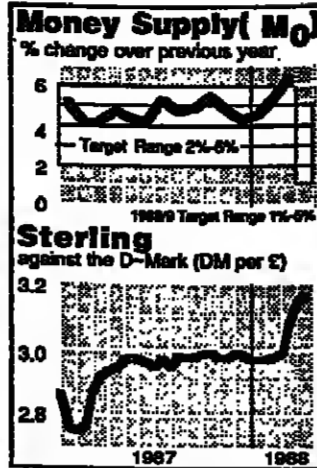
BY JIMMY BURNS, LABOUR STAFF

THE DISPUTE that has paralysed P&O European Ferries' cross-Channel operations for over 11 weeks remained deadlocked last night in spite of the company's claims that nearly 1,000 out of 2,200 Dover-based striking seamen had accepted its proposals for new working conditions. Talks between P&O and the National Union of Seamen broke down after only 45 minutes and the company threatened to attempt to put its ships back into operation next week without the union. Mr Graeme Dunlop, the company's managing director, last night described the meeting with local union officials as a "total waste of time". He accused union shop stewards of adopting an "irresponsible and destructive attitude" and of prolonging the strike "for no good reason". The company says the new terms it is proposing are essential cost-saving measures if the UK ferry sector is to compete successfully with the opening of the Channel Tunnel in 1992. The terms, which were put to the striking seamen over the weeks ago, include altered shift patterns, a radically simplified salary structure and 388 redundancies. As part of the package P&O seamen are being offered an extra £400 a year on the Dover - Zeebrugge and Dover - Boulogne routes.

BANK OF ENGLAND INTERVENES TO STEM STERLING RISE Money figures reveal credit surge

BY SIMON HOLBERTON

THE BANK of England yesterday intervened in currency markets in an attempt to stem the rise in the pound after the release of money supply figures for March, which showed another surge in credit demand and a key Government money target growing faster than planned. Foreign currency markets viewed the figures as offering the authorities little scope for any early cut in interest rates. Treasury officials said, however, that the Government would use currency market intervention and changes in the level of interest rates to pursue exchange rate stability. The current level of interest was thought appropriate. The Bank of England's figures for March showed that credit demand still remained strong and the Government's key money measure, M0, grew outside its target range for the first time since the Treasury first began targeting it in March 1984. Analysts said the figures were unambiguously poor. They underlined the impression of an economy where credit growth was buoyant and demand remained strong. The annual rates of growth of the key monetary aggregates suggested the need for a tightening of domestic monetary conditions, they said. Officials privately agreed that in the past yesterday's figures probably would have been used to sanction a rise in base rates. Despite official intervention the pound rose by a penny and half a cent to DM3.1875 and \$1.8985. Foreign exchange traders are well aware of the Government's policy dilemma and in the absence of any cut in interest rates the market is now looking for sterling to test DM3.20. The Treasury said yesterday that the figures did not carry an inflationary warning. It also noted that the Government had been able fully to neutralise the effects of nearly £7bn of foreign exchange intervention without unsettling monetary conditions. In March M0 grew at an annual rate of 6.4 per cent compared with its target range of 2 per cent to 6 per cent. For the 1988-89 financial year the Treasury has set a target range of 1 per cent to 5 per cent although it acknowledged in last month's Budget papers that M0 was likely to grow faster than this in the early months of the year. Lending by banks and building societies was up by £6.6bn - the second biggest rise recorded - compared with an average of the past six months of £3.5bn.



Bank lending rose by £6.6bn compared with an average for the past six months of £3.5bn.

Ford plans shake-up in retailing structure

BY JOHN GRIFFITHS

FORD'S 1,027 UK dealers have been told by the company this week to prepare for a "revolution" in the way they sell and service cars. Dealer association meetings throughout the country have been informed that as part of the preparations Ford, the UK car market leader, is easing its controls on the number of new dealerships which can be owned by any one company or group. The relaxation, resisted by Ford for many years, recognises that the major structural changes envisaged will require heavy investments which larger motor groups - many of them now public - may best be able to afford. Dealers have been told that one of the changes will be the splitting-up, initially by Ford itself on a pilot basis, of large, out-of-town service sites to be operated in parallel with conventional dealer outlets. These will challenge the chains of "fast-fit" specialist concerns, such as Kwik-Fit Euro, which in recent years have taken a large volume of service and replacement parts business from the traditional motor trade. Ford itself is not discussing the changes envisaged.

But they are understood to enhance almost every aspect of distribution, sales and after-market activity and set out Ford's vision of how the UK motor trade will operate throughout the 1990s. It is known to be the end result of a secret, two-year study which has involved sales, marketing and all other key departments within Ford UK.

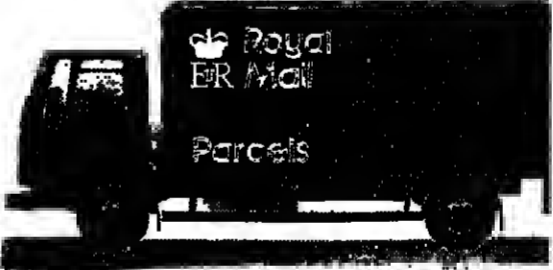
Japanese telecom group to establish joint UK venture

BY TERRY DOODSWORTH, INDUSTRIAL EDITOR

KOKUSAI Denshin Denwa, Japan's main international telecommunications group, is launching a collaborative venture in London in a move aimed at the lucrative UK market in overseas communications and data processing. The Japanese group, until recently the only licensed international operator in Japan, is to set up a company offering a packaged service to customers who want an outside supplier to take care of their computer and telecommunications operations. KDD will hold 33 per cent in the organisation, to be called Telehouse International, with British Telecom putting up a further 12 per cent out of a total capital of £15m. Nomura Research Institute, a branch of the Japanese securities house, will be the other leading shareholder with 23 per cent. There will be 15 smaller shareholders. The new company is a further sign of the rapid breakdown of the long-standing monopoly structure in international communications. Until very recently overseas telecommunications throughout the world were handled by national telephone system operators dealing with similar companies abroad. In the US, UK and Japan, however, the liberalisation of the industry has brought new competitors into the market, putting pressure on the international telephone companies to expand overseas with their own operations. KDD, for example, is facing domestic competition from two new operators in Japan, one of which, International Digital Communications, is part owned by Cable and Wireless of the UK. The new London-based company will be part of an overseas network being set up by KDD which also includes a telehouse centre now under construction in New York. Its linchpin is a planned six-storey building in London's docklands, in the city's east end, to be completed in December 1989 and providing space for computer systems. KDD will offer to operate and maintain telecommunications and data processing networks for other companies which may wish to install the computers in the Telehouse centre. It will also handle all the negotiations with other telephone companies overseas for international traffic, and give communications advice, which has had long-standing arrangements with KDD, said last night that it was taking a shareholding in the venture because it complemented its own activities in docklands.

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a subsidiary of

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Barclays Bank PLC
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acted as financial advisers to Balsam on
the acquisition and arranged the funding.

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Issued Capital: 116 179 121 shares of 50 cents each.

Report of the directors for the quarter ended
March 31 1988

The following are the results of the company and its wholly-owned operating subsidiary, Free State Consolidated Gold Mines (Operations) Limited.

Table with multiple columns: OPERATING RESULTS, OPERATING AND FINANCIAL RESULTS, DEVELOPMENT, DIVIDEND, CAPITAL EXPENDITURE COMMITMENTS, MINIMUM TAX ON COMPANIES (MTC), ANGLo AMERICAN GROUP EMPLOYEE SHAREHOLDER SCHEME, WELKOM GOLD HOLDINGS LIMITED, ORANGE FREE STATE INVESTMENTS LIMITED.

UK NEWS

DEFENDANT CLAIMS CASE UNCOVERED LOOPHOLE IN LAW

Forgery charge dismissed against hackers

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

TWO COMPUTER "hackers" who broke into British Telecom's Prestel computer network were not guilty of forgery, five Law Lords ruled yesterday. The Law Lords dismissed a prosecution appeal against the Court of Appeal's decision last July that Mr Stephen Gold, an accountant, and Mr Robert Schifreen, editor of a computer magazine, had dishonestly gained access to the Prestel data bank by "a trick" which was not a criminal offence.

mosty congratulations on the birth of Prince William. Lord Brandon said the two men had used home micro-computers to gain unauthorised access to several Prestel computers, by obtaining and using other people's customer identification numbers (CINs) and passwords without permission. They had obtained information to which they were not entitled, made unauthorised alterations to stored data and caused charges to be made to Prestel account holders without their knowledge or consent. Their object, said Lord Brandon, "was not so much to gain any profit for themselves as to demonstrate their skill as hackers."

mission, another's CIN and password, with the intention of gaining unauthorised access to the data base, and the user segment briefly stored or recorded the information while checking it. The Crown argued that the relevant instrument was the control area of the user segment while it recorded and/or stored the CIN and password. Mr Gold and Mr Schifreen had each made such an instrument when they keyed in the electronic impulses which constituted the CINs and passwords, the Crown said. Mr Gold and Mr Schifreen contended that recording and storage were lasting and continuous processes and that the process relied on by the Crown involved

no more than the CIN and password being held momentarily while being checked and then being totally and irretrievably expunged. Lord Brandon agreed, saying that "recorded" and "stored" connoted preservation for an appreciable time with the object of subsequent retrieval or recovery. After yesterday's ruling Mr Schifreen said he thought the case had usefully found a loophole in the law. "I am not saying computer hacking should be legal but there should be a specific law to cover it. We have spent three years discussing two words, which proves that the Forgery Act was just not designed to deal with hacking."

High TV advertising costs 'not due to production inefficiency'

BY RAYMOND SNOODY

THE HIGH COST of television advertising in the UK is caused by high demand for airtime in a buoyant economy and is not the result of inefficiencies in commercial programme production, according to an economic study. The interim findings of a study by National Economic Research Associates (Nera) on behalf of the Independent Television companies are in marked contrast to a study published earlier this week by Box Allen & Hamilton which was sponsored by a group of large advertisers such as British Airways and Procter and Gamble.

sumer expenditure and the supply of airtime. But contrary to much of the evidence submitted to the Peacock Committee, Nera now believes that if the supply of television airtime rises, the increase in demand will counteract any fall in price and overall advertising revenue will rise. A 10 per cent increase in consumer expenditure, Nera believes, will lead to the longer run to a 12 per cent increase in television advertising spending. A 10 per cent increase in commercial home minutes - the number of minutes multiplied by the number of homes watching - will result in a 4.5 per cent increase in television advertising spending.

ly likely to substantially cut the price of television advertising would be either the introduction of advertising on the state-backed and non-commercial BBC or the reduction of the BBC's role to a minority interest public service broadcaster. The UK at present has two state channels, BBC1 and BBC2, and two commercial channels, Channel 4 and the 16 independent stations which comprise ITV and are franchised by regions. How the battle of the consultants' reports on the television advertising market is perceived by the Government could have an effect on imminent policy decisions - in particular on the issue of whether or not to give the go-ahead for establishment of a fifth channel.

Pregnancy no basis for dismissing staff, say law lords

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

AN EMPLOYEE is not entitled to make use of a redundancy situation "to weed out his pregnant employees," the Law Lords ruled yesterday. Lord Griffiths said that it was no doubt inconvenient for an employer to have to arrange to keep a woman's job open for her while she was absent having a baby. That, however, was a price that had to be paid as part of the social and legal recognition of women's equal status in the workplace. "If an employer dismisses a woman because she is pregnant, and he is not prepared to make the arrangements to cover her temporary absence from work, he is deemed to have dismissed her unfairly."

Brown's pregnancy. That decision was reversed by the Employment Appeal Tribunal (EAT), whose ruling was upheld by the Court of Appeal. The appeal judges held that the main reason for dismissal had been the need to make one supervisor redundant and that the council had been entitled to use pregnancy as a factor in its decision. Lord Griffiths said that both the EAT and the appeal court had been influenced by the juxtaposition in the 1978 Employment Protection (Consolidation) Act of section 55, dealing with dismissal on ground of redundancy, and section 60, dismissal on ground of pregnancy. The appeal court had said that, if selection for redundancy on the ground of pregnancy was automatically to be unfair, it would have been possible to have said so.

"I can see no reason why the same principle should not apply if, in a redundancy situation, an employer selects the pregnant woman as the victim of redundancy to avoid the inconvenience of covering her absence from work in the new employment he is able to offer others threatened with redundancy," said Lord Griffiths. He was giving the Law Lords' reasons for their decision in February for upholding a claim by Mrs Maria Brown that she had been unfairly dismissed by Stockton-on-Tees borough council, Cleveland, in north east England. Mrs Brown had been a supervisor on one of the council's Youth Training Scheme projects. When the projects were reorganised in 1985 four women were left vying for three posts and Mrs Brown, who was soon to take maternity leave, was declared redundant. An industrial tribunal decided that that amounted to unfair dismissal on the grounds of Mrs

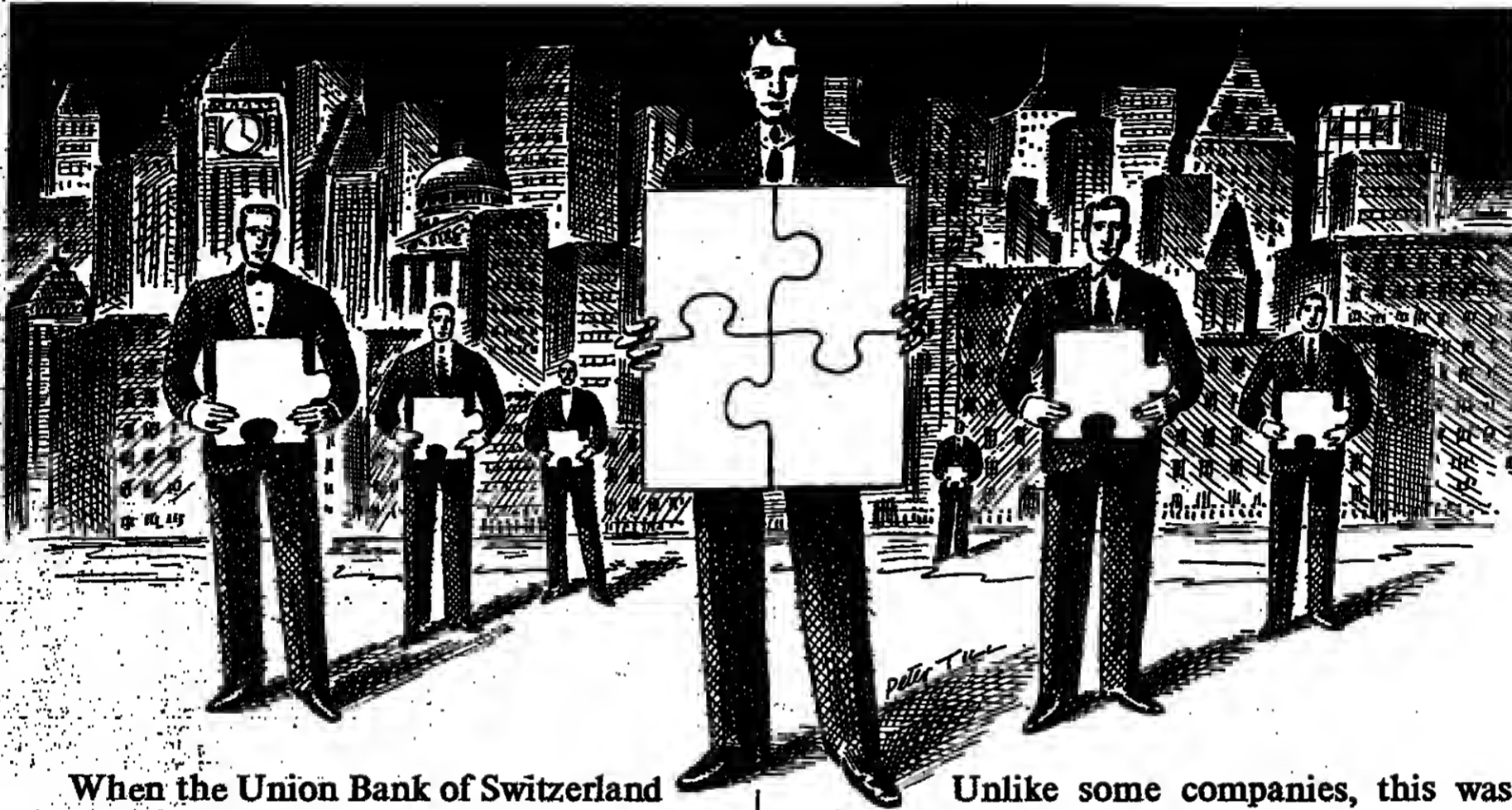
There would be many dismissals on grounds of redundancy which could not be said to be unfair on the grounds of Mrs connected with her pregnancy.

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THE PROPERTY MARKET

# Chicago: a developer's kind of town

By Paul Cheeseright

BRITISH property developers feeling a little queasy about how the City of London property market might develop over the next two to five years might spare a thought for Chicago, basking in the fortune of last year's highest take-up of space for a decade.

The four main districts - West Loop, Central Loop, East Loop, and North Michigan Avenue - which make up the downtown office area, have an office stock of over 95m sq ft, according to the figures of Coldwell Banker, the real estate brokers. For the purposes of comparison, that stock is nearly double that of the City's or roughly one third more than the West End's, but more than 11 per cent of it is vacant, as against the 2 per cent in central London calculated by Jones Lang Wootton, chartered surveyors.

Still, the amount of available space in the City has been creeping up and, said Debenham Tewson and Chimnocks, chartered surveyors, is now at 1.5m sq ft, the highest since November 1985. The speed of development in central London though is quicker than that of Chicago. Nearly 7m sq ft of space will be completed in London this year, more than in any year since the 1970s, according to Jones Lang Wootton. In Chicago, Coldwell Banker expects 6.7m sq ft of space to be completed in the next three years. Of the London completions, just under two thirds have

already been taken up. Of the Chicago completions over the longer time span, 43 per cent has been pre-let.

But while London developers and property analysts are equivocal about the medium-term prospects for space usage, Mr Scott Miller, a principal at the John Buck Company, a Chicago developer, which is the subject of the accompanying article, is unequivocal. "There is more office space in the market place than tenants available to fill that space," he said.

Arguably, this is not only a question of short-term trends related to ease of credit and the cyclical nature of the property market. There is a longer term factor. "There has been an increase in office demand over the last ten years because of the change to the service economy. But probably this will slow down over the next 20 years. It will dampen demand," commented Michael Herzberg, vice-president of JMB Realty, JMB, with headquarters in Chicago, has a property portfolio of \$150m. It draws in institutional funds and private capital for investment in the property market and is as well on its

own behalf a developer. Its sheer size makes its view of investment trends a harbinger of what could happen in the market place.

The group has property in Chicago, notably the 74-storey Water Tower Place on North Michigan Avenue and is developing a mixed-use project just opposite - offices, hotel, retail and residential. But Mr Herzberg at least is cautious about the investment prospects in the city.

Taking broadly the same approach as a British investor, he contended that "the best way to make money is to be as monopolistic as possible," and by that he meant investing a property which cannot be easily reproduced in a location where there is not too much scope for endless new building.

In the US, Beverly Hills fits these criteria - there is little land for development and the planning restrictions - the zoning restrictions, as the Americans say, are tight. So does Boston - land is difficult to obtain, and said Mr Herzberg, the zoning restrictions are the most difficult in the country. Downtown Washington DC has

some of the same characteristics. But not Chicago.

"As a buyer you are better off in Beverly Hills than you are in Chicago," said Mr Herzberg. In Chicago land is relatively freely available and the zoning restrictions are light. Once these particular factors are tied in to the longer term trend that the expansion of the general demand for offices has passed its peak, then a disparity of aims between the developer and the ultimate investor is bound to appear.

Developers need land on which to build and a relatively free environment in which to do it. They need a ready availability of funds to finance them. All of these have been present in Chicago. Therefore there is the threat of overbuilding, precisely the sort of situation an investor would seek to avoid.

This threat has been disguised to some extent by the recent heavy level of demand for space. Jeffrey Barrett, Coldwell Banker's manager in Chicago, was surprised. "What I do not think that anyone saw, was 1987 being a record breaking year of leasing resulting in only a one tenth of 1 per cent increase in the vacancy rate to the current level of 11.7 per cent."

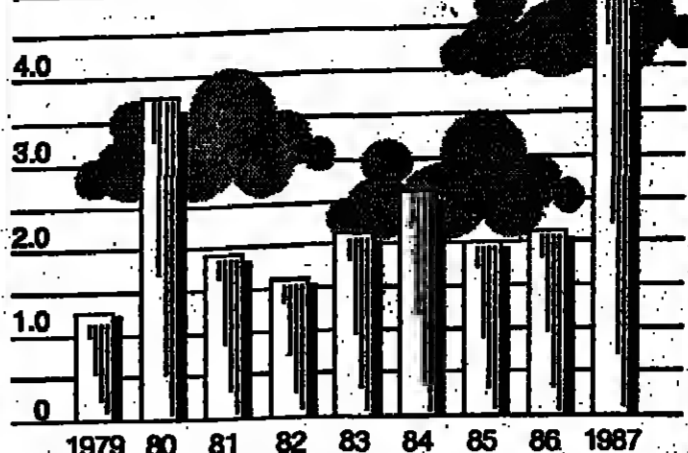
That vacancy rate is 4.5 percentage points under the national downtown average in



190 South LaSalle

### Downtown Chicago: office space absorption

5.0 million square feet



35 West Wacker

THE John Buck Company opened 190 South LaSalle Street (left) in the heart of Chicago's financial district at the beginning of last year. It is 78 per cent let. "Relative to the market, this project has done very well," said Mr Scott Miller, the senior vice-president.

Construction of 35 West Wacker Drive (right), also in downtown Chicago, started in 1986, but the building will not be finished for another year. Unusually for Chicago, the building is 82 per cent pre-let, largely because John Buck came together with Leo Burnett, the advertising group, which was looking for a new headquarters. A bid was put in for land owned by the City of Chicago and construction started

with the knowledge that Leo Burnett would take half the space in the 50-storey, 1.1m sq ft net building. Since then two law firms have contracted to take space.

With a bespoke building for the American Medical Association, 35 West Wacker is the focal point of John Buck's development activity in Chicago, the centre of its operations. The private company, formed in 1961 with seven partners, has a development programme worth \$600m. It has never sold an building outright. It builds to hold.

But what it has done is to sell half the equity in 190 South LaSalle to Travelers Companies, the insurance and financial services institution and to Nisdel Realty, a sub-

stantial of Nippon Life Insurance. This is a reminder of Japanese interest in the US property market.

Japanese investment in Chicago is recent and small relative to the amount which has been poured into Los Angeles and New York.

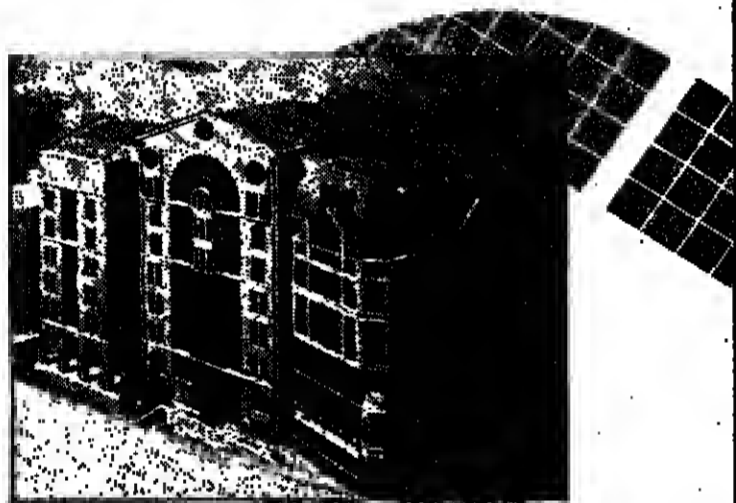
Although John Buck will continue to develop in Chicago, it is diversifying. In Chicago it is in the early stages of preparing four more sites. But, stressed Mr Miller, "we will not build on totally speculative basis. At a minimum we would require 25 per cent of a building to be leased." This is not only because the market is precarious but also because it facilitates financing.

counted 15 developers with sites being prepared for buildings opening in late 1990 or 1991. This is like the City of London all over again. But Chicago developers have different criteria from London developers, who in recent years have seen everything they pro-

duced snapped up. Although developers in Chicago at one stage would start a building on a totally speculative basis, this has changed. "If you can open the doors with a 25 per cent occupancy and fill the building in two years, that is seen as successful," said Mr Barrett.

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 Retail Shapers Properties, Normandy Park Works, P.O. Box 16, Sandhays, South Emswold DN17 5QW.

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**Company Notices**

**Free State Consolidated Gold Mines Limited**  
 (Incorporated in the Republic of South Africa)  
 Registration No. 05/26210/06

**FREGOLD**

FIRST INTERIM DIVIDEND (NO. 66)

On Thursday, April 21 1988, interim dividend No. 66 (being the first interim dividend in respect of the financial year of eighteen months ending March 31 1988) was declared as follows:

Amount (South African currency)	AA cents per share
1988	1988

Last day to register for dividend (and for changes of address or dividend instructions): Thursday, May 5

Registers closed from 10 (inclusive) to Friday, May 6 Saturday, May 7

Ex-dividend on Johannesburg and London stock exchanges: Monday, May 9

Currency conversion date for sterling payments to shareholders paid from London: Monday, May 9

Dividend warrants posted: Thursday, June 9

Payment date of dividend: Friday, June 10

Rate of non-resident shareholders' tax: 15 per cent

Holders of share warrants to bearer are notified that the dividend is payable on or after Friday, June 10 1988, upon presentation of coupon marked "South Africa" and No. 5 on the side reflecting the share warrant number at the offices of First National Bank of Southern Africa Limited, Stock Exchange Branch, Diagonal Street, Johannesburg, South Africa; Union Bank of Switzerland, Bankstrasse 2, 8002 Zurich, Switzerland; Credit du Nord, 8 rue de Souverain, Hauxerode, 75006 Paris, France; and Banque Bruxelles Lambert, 24 Avenue Marie, 1050 Brussels, Belgium, only. Coupons must be left at least four clear days for transmission.

The full conditions relating to the dividend may be inspected at the Johannesburg and London offices of the company and its transfer secretaries.

Change of financial year end:  
 It has been decided, for administrative reasons, to change the company's financial year end from September 30 to March 31. The next financial year of the company will be a period of eighteen months ending March 31 1989. A second interim dividend will be considered by the board on October 20 1988.

By order of the board  
**ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED**  
 Secretary  
 c/o N.B. Stinton  
 Divisional Secretary

Transfer Secretaries  
 Consolidated Share Registrars Limited  
 First Floor, Edgars  
 40 Commissioner Street  
 Johannesburg  
 2001  
 (P.O. Box 61051 Marshalltown 2107)

Head Office  
 44 Main Street  
 Johannesburg  
 2001  
 (P.O. Box 61587 Marshalltown 2107)

London Office  
 40 Holborn Viaduct  
 London EC1P 1AJ

Johannesburg  
 April 22 1988

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Price required £3,460,000

Tenants include: Runcible's, Midland Bank, Collingwoods Jewellers, Abbey National, Victoria Wine, Neilson Travel etc.

A single sale of the whole portfolio is preferred, but offers for individual properties will be considered.

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The Financial Times proposes to publish this survey on:

**FRIDAY 20th MAY**

For a full editorial synopsis and advertisement details, please contact:

**JOANNA DAWSON**  
 on 01-248 8000 ext 3269

or write to her at:

Bracken House  
 10 Cannon Street  
 London EC4P 4BY

**Company Notices**

**East Rand Gold and Uranium Company Limited**  
 Incorporated in the Republic of South Africa  
 (Registration No. 71/07001/06)

FINAL DIVIDEND - NO. 19

On Thursday, April 21 1988, final dividend No. 19 in respect of the year ended March 31 1988 was declared payable to holders of ordinary and 5 ordinary shares, as follows:

Amount (South African currency)	H cents per share
1988	1988

Last day to register for dividend (and for changes of address or dividend instructions): Thursday, May 5

Registers closed from 10 (inclusive) to Friday, May 6 Saturday, May 7

Ex-dividend on Johannesburg and London stock exchanges: Monday, May 9

Currency conversion date for sterling payments to shareholders paid from London: Monday, May 9

Dividend warrants posted: Thursday, June 9

Payment date of dividend: Friday, June 10

Rate of non-resident shareholders' tax: 15 per cent

The full conditions relating to the dividend may be inspected at the Johannesburg and London offices of the company and its transfer secretaries.

By order of the board  
**ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED**  
 Secretary  
 c/o N.B. Stinton  
 Divisional Secretary

Transfer Secretaries  
 Consolidated Share Registrars Limited  
 First Floor, Edgars  
 40 Commissioner Street  
 Johannesburg  
 2001  
 (P.O. Box 61051 Marshalltown 2107)

Head Office  
 44 Main Street  
 Johannesburg  
 2001  
 (P.O. Box 61587 Marshalltown 2107)

London Office  
 40 Holborn Viaduct  
 London EC1P 1AJ  
 England

Johannesburg  
 April 22 1988

**SOCIETE GENERALE**  
 USD 372,000,000

**Subordinated Floating Rate Notes due 1998**

For the six months, April 21, 1988 to October 20, 1988, the rate of interest has been fixed at 8.05 % P.A.

The interest due on October 21, 1988 against coupon nr 1 will be \$US 40,920,83 and has been computed on the actual number of days elapsed (183) divided by 360.

The Principal Paying Agent  
**SOCIETE GENERALE ALSACIENNE DE BANQUE**  
 15, Avenue Emile Reuter  
 LUXEMBOURG

**LEGAL NOTICE**

**REG M WHOLESALE FOODS LIMITED**

Registered number: 128912  
 Trading Name: REG M CASH & CARRY  
 Nature of Business: WHOLESALE CASH & CARRY

Trade classification: 12  
 Date of appointment of administrative receiver: 14 April 1988  
 Name of person appointing the administrative receiver:  
 National Westminster Bank Plc  
 Floor 15, Cannon Street, London EC4A 3DF  
 Christopher John Hughes (Office Holder No. 2014)  
 John Administrative Receivers both of Cork City: Stanley House, 3 Noble Street, London EC2V 7DD

**EBES**

Incorporated under the laws of the Kingdom of Belgium

**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held on Monday, 9th May 1988 at 11 a.m. at the Registered Office of the Company, Middelsteunweg 271, Antwerp, Belgium.

**BUSINESS**

- To receive the Reports of the Board of Directors and of the "College des Commissaires";
- To approve the Balance Sheet, Profit and Loss Account and the appropriation of Profits, for the year ended 31st December 1987;
- To give discharge to the Directors and "Commissaires";
- To elect Directors;
- To elect a "Commissaire" and to determine his remuneration.

NOTE  
 Holders of share warrants entitled and wishing to attend or be represented should deposit, by 9th May 1988, either their share warrants to bearer or a certificate of their holding issued by their Bankers, at Banque Belge Limited, 4, Bishopgate, London EC2N 4AD. Thereupon an admission card will be issued.

**STATE LOAN OF THE KINGDOM OF HUNGARY**  
 7.12% (Now 2.75 per cent)  
 Starting Bonds 1988

**IN ACCORDANCE WITH** SECTION 14 OF THE ABOVE MENTIONED ACTS (THE "MONEY" ACT) THE BOARD OF DIRECTORS OF THE COMPANY HAS RESOLVED TO ISSUE, IN THE NAME OF THE COMPANY, NEW SHARES WHICH MAY BE OBTAINED ON APPLICATION.

Companies will be received on any business day between 9.30 a.m. and 2.30 p.m. and must be left for an appropriate period for consideration.

M M Potholath & Sons Limited  
 New Court, St. Botolph's Lane,  
 London EC4A 3DF  
 22nd April 1988

**Public Notices**

**Monopolies and Mergers Commission**

**INVESTIGATION INTO THE BRITISH RAILWAYS BOARD**

On 11 April 1988 the Secretary of State for Trade and Industry referred to the Monopolies and Mergers Commission for investigation and report certain questions relating to the efficiency and cost effectiveness of the British Railways Board in supplying rail passenger services in its Provincial Business Sector with particular reference to the scope for matching services more closely to demand, the level and structure of fares charged for provincial rail services and the Board's response to competition from bus and coach services. A copy of the full terms of reference is obtained from, and anyone wishing to submit evidence may write to:

The Secretary  
 Monopolies and Mergers Commission  
 New Court  
 48 Gray Street  
 London WC6A 8LT.

**Legal Notices**

**MULTIRAP LIMITED**

Registered number: 128924  
 Trading Name: COBRETO  
 Nature of Business: WHOLESALE CASH AND CARRY

Trade classification 12  
 Date of appointment of administrative receiver: 14 April 1988  
 Name of person appointing the administrative receiver:  
 National Westminster Bank Plc  
 Floor 15, Cannon Street, London EC4A 3DF  
 Christopher John Hughes (Office Holder No. 2014)  
 John Administrative Receivers both of Cork City: Stanley House, 3 Noble Street, London EC2V 7DD

**IN THE HIGH COURT OF JUSTICE**  
**CHANCERY DIVISION No. 1186 of 1988**  
**IN THE MATTER OF:**  
**HIGH-POINT SERVICES GROUP PLC**  
**AND IN THE MATTER OF THE COMPANIES ACT 1985**

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 15th March 1988 confirming the reduction of the Share Premium Account of the above-named Company by the sum of £2,152,371 was registered by the Registrar of Companies on the 20th March 1988 Dated this 20th day of April 1988

Deves Arnold & Cooper of 12 Oldbath Place London EC4V 6AD

Ballifore for the above-named Company.

**Business with Spain**

Palace Hotel, Madrid  
 9 & 10 May 1988

Speakers taking part include:

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- D. Manuel Marin
- Mr Peter Leslie
- Mr Peter Sutherland
- D. Claudio Aranzadi
- Mr Francis Maude, MP
- Dr Martin Bangemann
- D. Mariano Rubio Jimenez
- Mr Fouad K. Jaffar
- D. Mario Conde
- Mr Robert D. Daziel
- D. Guillermo de la Dehesa

**Business with Spain**

To: Financial Times Conference Organisation  
 125 Jermyn Street, London SW1Y 4JL  
 Tel: 01-825 2323 Tlx: 27347 FICOMF G Fax: 01-825 2125

Please send no further details.

Name: \_\_\_\_\_  
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 and the FINANCIAL TIMES CONFERENCE ORGANISATION present:

**CAPITAL MARKETS WORKSHOP**

16-18 MAY, 1-3 JUNE & 11-13 JULY 1988

The risks involved in trading often complex instruments in the capital markets are very clear and the events of last Autumn make the problems even more immediate. In these workshops a panel of Price Waterhouse and banking industry experts examines the risks and explains how they can be managed successfully. For further information on this case-study based programme please return this advertisement with your business card to:

Financial Times Conference Organisation, 125 Jermyn Street, London SW1Y 4JL  
 Alternatively Telephone: 01-825 2323 Telex: 27347 FICOMF G Fax: 01-825 2125

Price Waterhouse

MANAGEMENT

Daimler-Benz

Sparring with utter politeness

Christopher Lorenz examines tensions beneath the surface of West Germany's largest industrial group as it tries to create synergies with its new subsidiaries

A FEW months ago Dr Hans Gissel, the research and technology director of AEG, remonstrated with his counterpart at Daimler-Benz that "you must stop coming up with new synergy ideas - we can't cope with any more. You're clogging up the works."

The Daimler board member in question, Dr Rudolf Hörnig, recounts the episode with a smile as he rebuts outside criticism that too little is being done, too slowly, to create the technological "synergy" which was heralded as one of the main purposes of Daimler's 1985 diversification into electronics (through the partial takeover of AEG), aerospace (via Dornier) and non-automotive engines (Motoren & Turbinen Union).

Edzard Reuter, Daimler's chairman, has warned repeatedly that the "synergy" work of this new industrial giant will take a long time to produce concrete results (see this page April 18).

Yet there has been considerable sniping in West Germany about the fact that virtually the only visible result so far has been a decision to turn a new AEG research centre in, south-east of Daimler's home town of Stuttgart, into a group-wide facility.

The truth is that Daimler's typically German reluctance to bare its inner workings to the press has masked a veritable beehive of activity. Since early 1986 a welter of synergy committees, joint working groups, project teams and steering groups has been bursting out all over the enlarged Daimler empire.

So much so that AEG's Gissel readily confirms his previously private complaint, and elaborates. Leaning across the table in his Frankfurt office, he says: "It has not been helpful to start so many projects at the same time."

In order to create an internal "demonstration effect" for engineers and managers throughout the group, as well as a commercial impact outside, he says it would be better "to run a few projects very fast - we must learn to channel our resources."

Hörnig now concurs, at least with Gissel's last comment. As companies with much more experience of acquisitions than Daimler know only too well, digesting them is never easy, especially when one of their goals is the creation of synergy between the parent and its new subsidiaries.

The friendly sparring between Hörnig and Gissel is indicative of the inevitable tensions which lie just below the surface of Daimler and its new "partners", as its executives insist on calling AEG, Dornier and MTU.

Gissel is equally outspoken about Daimler's tendency to create too many steering committees and other bureaucratic

DAIMLER-BENZ'S "Traffic" research programme into new transport, communication and control techniques is broken into 16 sub-projects, with the division of labour between Daimler, AEG, Dornier and MTU agreed in fine detail for each.

Significantly, the calculations take account of an estimated reduction of 30 per cent in total man-hours from what would have been required if the partners had been collaborating as independent companies, with overlapping efforts on various parts of the programme.

The estimated cost, of several hundred million Deutsche Marks, is shared according to a complex formula, with the majority being provided from group resources, rather than individual companies. "Otherwise everyone would have an endless discussion," says Dr Rudolf Hörnig, Daimler's research and technology director.

Management of the project is in the hands of a seven-person project team drawn from all of the companies (three from Daimler, two from Dornier, and one each from AEG and MTU); its spokesman is one of the Daimler representatives. In addition to being steered by a committee of senior executives, its progress is vetted at intervals by the board-level "structure and synergy committee" (see main article).

Roughly the same pattern has been followed for the five other technology "synergy projects" which are already under way. One of the biggest of these is a programme to develop the group's strengths in a number of links in the "energy chain" (generation from various sources, storage, and use on road, rail, water and in the air). This brings together, for instance, Daimler's expertise in hydrogen-powered vehicles, AEG's in power station and solar cell technology, MTU's in industrial motors and gas turbines, and Dornier's in nuclear-powered high-tem-

perature fuel cells and electrolysis systems for converting fuel directly into electricity. The other current synergy projects cover electric traction; materials; medical technology; and "microperipherals" for in-car data processing (such as monitors and electronic actuators).

Together with their respective sub-projects, most of these cover a period of five to 10 years, though one Daimler-Dornier programme for the development of satellite communications between motor vehicles and stationary transmitter-receivers has only a three-year span.

Several more projects are in preparation, covering such areas as materials surface-facing technology, as well as automated production technology; here the group has especially high hopes for synergy between AEG's software, hardware and controls, Dornier's robots and unmanned vehicles, and Daimler's know-how as a major user.

been easy compared with the difficult digestion decisions which have yet to be made. Daimler's Hörnig admits that "the major problems have yet to come" in the division of technical and managerial responsibilities - and labour - between the group companies. And then there is the critical challenge of creating a really common corporate culture, something which Edzard Reuter and everyone else recognises will be vital to the success of the whole enterprise.

Hörnig says "there was no demonstration of superiority on the part of the parent". It was Rudolf Hörnig who initiated the first phase of collaboration between the four companies after Daimler's 1985 takeover. Because of painful wrangling about changes in Daimler's board structure, it was not until the summer of 1986 that a formal board-level mechanism was established to determine and co-ordinate the strategy and structure of the various parts of the enlarged group.

By the time this "structure and synergy" committee began its work, Hörnig had already made considerable progress on the technology front. His approach to the tricky process of post-acquisition management was influenced

by a study of American takeovers carried out by McKinsey & Co, the management consultancy, which outlined some of the reasons for the remarkably high failure rate of acquisitions. In all his dealings with the new subsidiaries, Hörnig says "there was no demonstration of superiority on the part of the parent".

Early in 1986 Hörnig had started regular meetings, every four to six weeks, with his four fellow technical directors (Dornier has two of them, the other companies one apiece). To start real cross-fertilisation in earnest, Hörnig and his colleagues began to define a number of collaborative "synergy projects" in which each company could play a part. All these have since had to be cleared by the structure and synergy committee (of which Hörnig's coupling is now a sub-committee), as well as by the board itself; the latter gave the go-ahead last December, as part of a broad new group research and technology programme.

The first project was the most obvious: a very large, eight-year programme called "Traffic", for the introduction of electronics into all aspects of automotive transport, including public traffic communication and control

systems - what Hörnig calls "the intelligent car on the intelligent road". The project had already been initiated by Daimler-Benz on its own to develop, augment and commercialise some of the joint research being conducted by the European motor industry under a collaborative project called "Prometheus".

The inclusion of the new Daimler subsidiaries has not speeded up the programme, Hörnig explains, it was already on a fast track. But it has enabled Daimler to do much more on its own than would otherwise have been possible, and to give much less of its know-how away to outside suppliers. The ability to keep vital know-how secret a little longer can produce a major commercial pay-off.

In addition to Traffic, almost a dozen other large-scale projects are either up and running or in preparation under the auspices of the group's research and technology directors (see inset). Though Hörnig expects much - eventually - from their combination of vertical and horizontal integration, he denies that the enlarged Daimler group is trying to master every relevant technology itself. In materials, for instance, he says "we still want to collaborate with others".

Separately from the projects directly under Hörnig, a sizeable number of cross-company working groups of various sorts is also

involved on shorter-term development projects within Daimler's car and commercial vehicle divisions. Here, the official principle is that AEG, Dornier and MTU should be given some preference, mainly by receiving early warning of Daimler's plans. But it is difficult to operate in practice, since communications with established suppliers are so good.

It was Daimler's position as a large and vital customer, rather than as a majority shareholder, which took pride of place in the thinking of most AEG managers and engineers following the 1985 takeover, Gissel suggests.

To some extent it still does. Yet he foresees little difficulty, at least from AEG's side, in the very necessary process of ironing-out cross-company overlaps by transferring activities from one to the other. "If another member of the group can do something more effectively, then that's rational - AEG needs to concentrate anyway," he says.

Such transfers have occurred with increasing frequency within AEG in recent years, as it has reinforced its divisional structure. "Don't do things in two

places," is a guiding principle for Gissel. Yet he clearly detects reluctance within parts of Daimler to bite this bullet, and even a tendency to replicate existing expertise by re-creating it in Stuttgart.

Where expertise already exists in the group, Daimler should rely on its partners instead of creating new co-ordinating bodies above them, he suggests. He understands Stuttgart's tendency to create bureaucracy in order to learn about the new industries and technologies in which it finds itself, but he feels that "steering committees, with board members on them, are only necessary if things don't work".

Where additional capabilities need to be developed for new programmes, as in some of the technology "synergy projects", co-ordination from Stuttgart is of course needed, says Gissel. But elsewhere he wants the "centre of excellence" concept introduced, with a single centre leading the work of satellite units elsewhere in the group.

This principle has been accepted, he says, but it has yet to be put into practice. Despite the frustrations it may cause Gissel and others in the meantime, this issue will probably only become acute over the next 18 months or so, as Daimler and its new subsidiaries start to confront the more difficult aspects of who should do what,



Dr. Ing Rudolf Hörnig, Daimler-Benz's research and technology director, is shown in a caricature. He is depicted with a large head, wearing a suit and glasses, sitting at a desk. Behind him is a computer monitor displaying the text 'Dr. Ing Rudolf Hörnig RESEARCH and TECHNOLOGY'. To his right is a large gas cylinder. The background is a checkered pattern.

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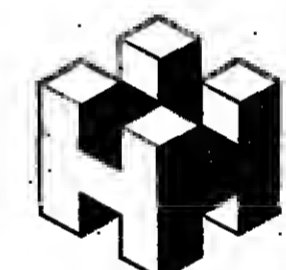
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PROGRESS CONTINUES

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**APPOINTMENTS**

**Chairman of Chartered Trust**

Mr Ian Paterson, a senior general manager of Standard Chartered Bank, is to become non-executive chairman of CHARTERED TRUST on April 28 following the retirement of Sir Idwal Pugh, writes Tony Morison, Welsh Correspondent.

Chartered Trust, the Cardiff-based financial services company that is a fully-owned subsidiary of Standard Chartered, employs nearly 1,000 people in Wales, some three-quarters of them in the Welsh capital.

Mr John Rodell, executive managing director of Chartered Trust, is also retiring at the same time on his appointment as chairman of the Finance Houses Association. He becomes a deputy chairman of Chartered, whose managing director is to be Mr Anthony Webb, its present deputy managing director.

HOWDEN GROUP has appointed Mr Seamus Lyons as director and general manager of Howden Aircraft, and Mr Barry Peat as director and general manager of Aircrew Howden.

Sir Ian Morrow, a director of Hambros, the Laird Group and Fison, has been appointed chairman of GIBBING PARK, a private hospital near Clitheroe.

Mr Iain Allan Cooper Wright has been elected president of THE SOCIETY OF ENGINEERS for 1988/89.

Dr Christopher Gill becomes director of the TIMBER RESEARCH AND DEVELOPMENT ASSOCIATION in July on the retirement of Mr John Smeley. Dr Gill was deputy director, research and development.

Sir Colin Marshall, chief executive of British Airways, and Mr David Tagg, chief executive of Grand Met's group services, will join the main board of GRAND METROPOLITAN on May 1. Sir Colin will be a non-executive director.

Mr David Brooks, a director of S.G. WARBURG GROUP, and deputy chairman of Warburg Securities, has been appointed president of S.G. Warburg (U.S.A.). He will move to New York. Mr Nicolaas Millward, a managing director of S.G. Warburg & Co. Inc., has been appointed chief operating officer of S.G. Warburg (U.S.A.) Inc. and will continue as chairman of the U.S. management committee.

Mr John King has been appointed chief executive of the PORTSMOUTH BUILDING SOCIETY. He was general manager (operations).

Mr Stuart Simpson (London) has been appointed a director of CHARTERHOUSE DEVELOPMENT CAPITAL. He was an assistant director. Mr Craig Williamson (Edinburgh), an investment manager, has been promoted to assistant director. Mr Simon Drury and Mr Duncan Aldred have joined as managers.

At BACON & WOODROW, consulting actuaries, Mr Andrew B. Knight, Mr Gordon Johnston, Mr Keith D. Lalliot, and Mr Martin G. Sturmer, become partners on May 1. Mr Alan K.W. Lion will be joining on June 1 as the partner responsible for pension fund administration services. He was managing director of Co-Cam Computer Services.



MR JOHN BOULTON

Following completion of its acquisition of ROSS YOUNG'S from Hanson, United Biscuits has appointed Mr John Boulton as managing director of Ross Young's. He was managing director of the retail division. Mr Boulton will be a member of the working party formed by United Biscuits to oversee the integration of Ross Young's with the UB Foods operation.

Mr John R. Stanton has been appointed to the board of WATES SPECIAL WORKS. He was chief surveyor.

Following completion of the merger of Systems Designers and Scicom Corporation to form SDCOM, the following have been appointed to the board: Mr Warren Werblow, Mr Christopher Tennell and Mr Andre Rowat. Mr Robin Gill has been appointed a non-executive director. He is a director of Hewlett Packard.

Mr Jim Chester has been appointed regional general manager, UK, with NATIONAL WESTMINSTER BANK's international banking division. Previously West End (west) area director, he succeeds Mr Ivan Powell who has retired.

Mr David Mutton has been appointed commercial director of WESTERN PROVIDENT ASSOCIATION.

Dr David Huber has been appointed personnel director to head the combined personnel functions of Safeway and Presto, subsidiaries of ARGYLL FOODS. He was a senior personnel director with the Burton group.

Mr Alan Brooker has joined the board of PLYSU as a non-executive director. He was chairman and chief executive of Ertel Group.

Mr Peter Thomas has been appointed manufacturing director of W.J. GOODWIN AND SON, a subsidiary of Yale Security Products, part of the Valor group.

CANTOR FITZGERALD (U.K.) has appointed Mr Alex Gellert as director, US Government division; Mr Ashley Pover as director, Eurohond's division; and Mr John Kiddy, as director and chief financial officer.

Following the acquisition of Hadley Cannon (holdings) by DIKE INSURANCE HOLDINGS, Mr Denis B. Bailey has been appointed chairman of the marine division of Hadley Cannon (International); Mr Andrew P. Harding, managing director designate; Mr Simon J. Lusher, deputy managing director; and Mr Graham Hambley, a director designate. Mr Nick Shingles has become managing director of the UK commercial division, and Mr Neil J. Byrnes a director of the diplomats division. Mr Ken E. Noble has been appointed managing director of Hadley Cannon (Claims Agency), and Mr Peter J. Siddie becomes a director. Mr Stanley Rose has been appointed a director designate of Hadley Cannon Consultants. Mr Maurice C. Webb becomes managing director of Hadley Cannon's specialist life and pensions company.

LONDON SCOTTISH BANK has appointed Mr Bill Bampton as group sales director; Mr Joe Grimes as director of DP services; and Mr Sam Kenyon as operations director. Mr Brian Holmes has been appointed a non-executive director. He was a director and chief executive of National and Provincial Building Society.

Mr C.M. Wiseman, responsible for the sales force, has been appointed to the boards of SAVE & FROSTER GROUP and Save & Prosper Insurance.

**CONTRACTS**

**Tilbury wins £30m work**

The TILBURY GROUP has been awarded over £30m contracts during the last two months.

Since the turn of the year Tilbury Construction has been awarded £18m worth of contracts. Building projects account for over £7m and include £2m for 24 industrial units at Upminster for Bartlett Land Co and Laidlaw in the private sector, two housing contracts totalling £2.8m for Hart and Carrick District Councils respectively, and over £2m of other public building projects including one project valued at £1.5m for the Properties Services Agency.

Of the civil engineering awards £5.7m relate to water works for Wessex, Thames, Anglian, Southern and Bristol Authorities and include reservoir projects totalling £2.2m at Oldmixon, Goodshay, Pli Westham, Ramsey and Stanton, a major pumping station and storage tanks, in excess of £1.1m at Gordano, Avon, sewage treatment works worth £1.1m and £700,000 at Crewkerne and East Coker respectively, and River Crayon improvement worth £500,000. The London Borough of Southwark has awarded an anchored sheet piling wall at Durand's Wharf, worth over £500,000, including contractor's design. The London Dockland Development Corporation has ordered a major refurbishment to Royal Albert Dock for £1.1m.

Of the remaining contracts worth over £1.5m was awarded in the public sector and included in excess of £1.2m for various other PSA projects.

Tilbury (City) has been awarded a contract by The Stock Exchange, London, for work to the reception area and associated

electrical work in the main entrance concourse. Another contract, value £568,000, was awarded by the London Borough of Hounslow to refurbish and modernise seven properties into seven flats and seven maisonettes. A contract worth £269,000 was awarded in Snett Road for the London Borough of Waltham Forest for mechanical and electrical work to 110 houses.

Westpile has been awarded contracts worth £8m. They include two contracts for Shell UK at Stanlow, valued at £1.9m, for CFA piling, a Shell piling contract for £1.3m, for the piling of embankment support rafts and retaining walls on the A55 at Landrafrichen. Westpile undertook a £4.5m contract on an earlier section of this road at Colwyn Bay. Another contract, worth £150,000, was received for the design and construction of foundations to offices and warehouses, using its extensive precast piling system, at Weston-Super-Mare.

United Kingdom Construction and Engineering Co has been awarded a contract for £1.2m by Shell UK Oil for 26 pre-assembled modules to be delivered to various Shell terminals throughout the UK. A contract was also awarded for a £2.5m hydro-cracker rehabilitation scheme for BP Oil at Grangemouth. A project valued at £1.2m has been awarded by British Sugar for the supply, fabrication and installation of pipework in upgrading the Ipswich factory. Caledonian Paper has awarded UKC a £4m contract for 50,000 metres of stainless steel pipework at a new paper mill plant at Irvine in Ayrshire.

**Far East construction orders**

URS INTERNATIONAL INC has won a US \$2.25m (£1.35m) five-year contract for construction supervision consulting services to the Department of Public Works and Highways of the Philippines.

The contract is for services for the Fourth Road Improvement Project, which is being funded by the Asian Development Bank. The scheme involves improving 7.5 km of roads on the islands of Cebu, Negros and Mindanao.

URS will review detailed designs prepared by Philippine consultants and provide engineering supervision from the pre-construction stage through post-construction for 11 contract packages.

A project management contract has also been received for

the renovation and construction of health care and university facilities in China.

Placed by the Fudan Foundation and the American Hospital in Shanghai Foundation, the contract will be carried out in association with Gammon (Hong Kong), a company partially owned by Trafalgar House.

The Foundations' initial priority is to modernise and upgrade facilities in order to commence new academic programmes and expand existing programmes as soon as possible. Construction of a major teaching hospital and university facilities will follow.

The Foundations are working in collaboration with officials at the Shanghai Municipal Health Bureau and Fudan University.



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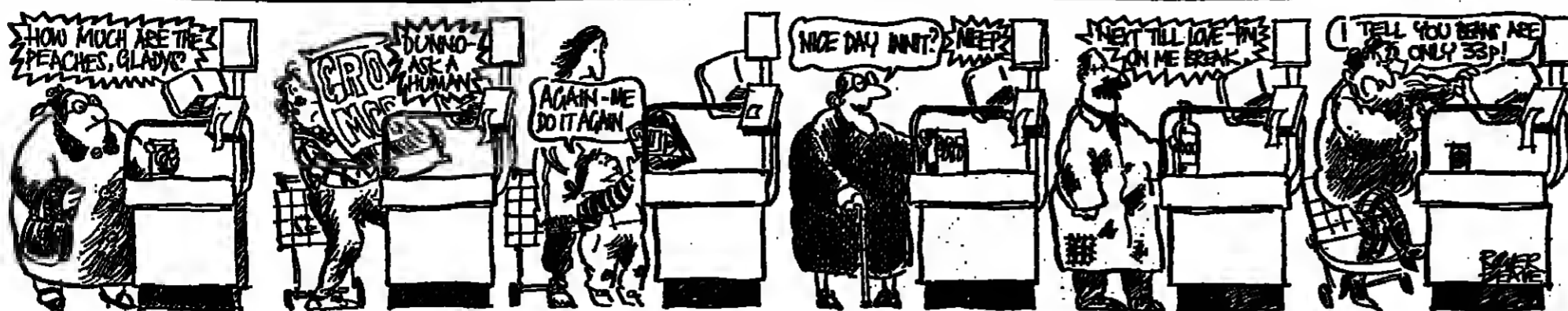
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TECHNOLOGY



US shoppers take control of the checkout

Clive Cookson reports on a system that gives a new meaning to self-service in the supermarket

SUPERMARKETS in the US are testing a new do-it-yourself checkout system which comes close to the ultimate in self-service shopping: the customer passes his or her own trolley load of groceries over a laser scanner which produces a computerised bill.

At present the shopper has to take the bill to a cashier for payment, but the system could be adapted in future to incorporate automatic payment with an electronic card. It would then be possible to buy all one's groceries without any human contact.

Self-checkout machines made by CheckRobot, based in Florida, have been operating successfully for 18 months in two Kroger supermarkets near Atlanta. They are arousing growing interest in the international retailing industry and in the past few months senior executives from several European chains, including Sainsbury and Tesco in the UK, have studied the CheckRobot system in action.

Kroger is the largest US supermarket chain and if it decides to introduce self-checkouts in some of its other stores, competitors are almost certain to follow suit. Paul Bernish, a spokesman at Kroger's Cincinnati headquarters, says the company will probably decide this summer whether or not to buy more CheckRobot systems.

Any expansion of self-scanning is likely to be gradual, one or two supermarkets at a time, Bernish says. "Our industry is conservative and evolutionary in the area of store operations. We're not interested in forcing things on our customers."

For competitive reasons Kroger does not want to disclose the full results of its Atlanta trials, but Bernish says customer reaction has been mixed. Surveys show that about 25 per cent of the shoppers positively prefer to scan their own purchases. They feel

more "in control" than when a cashier does the work and more confident that mistakes are not being made. Many younger customers enjoy the process of passing groceries over the scanner and watching an account of each item, its price and the total amount purchased so far flash up on the system's video screen.

Another 25 per cent of customers have the opposite reaction. Their reasons for not wanting to do the scanning include fear of the technology and desire for more human contact. Kroger makes sure that at least one lane is always manned to cater for these customers.

The remaining 50 per cent have no strong feelings either way about the process itself. They are prepared to check out their own purchases in order to avoid queues and save time. One of the great advantages of self-scanning

lanes is that they can always be used. Supermarkets normally close many of their manned checkouts during off-peak periods when few staff are on duty, and irritating queues may build up at the ones that remain open. Apart from the two Kroger trials, the only CheckRobot system in active service is at the US Naval Commissary (supermarket) in Pensacola, Florida. The Shop-Rite chain in New Jersey plans to install a system later this year, and CheckRobot says several other US and foreign supermarket chains are considering possible trials.

The company president, Len Barbato, has been impressed by the "phenomenal level of interest from Europe." He says most of the leading European supermarket groups and manufacturers of checkout equipment have seen CheckRobot in action.

Visitors expressing serious interest include Tesco of the UK and Nixdorf, the West German company that is supplying Tesco with \$50m worth of checkout scanners and computers. Neither Tesco nor Nixdorf was willing to discuss CheckRobot. Tesco spokesman Michael Newman would say only: "We're always interested in new ideas, and this is one of many we have looked at."

The CheckRobot system costs about \$30,000 per lane - twice as much as a conventional manned scanning lane - and the high price seems to be the main reason why no supermarket chain has yet decided to introduce self-scanning on a large scale. But Len Barbato claims that supermarkets can make an excellent return on their investment in the system, because it speeds up the flow of shoppers through their

checkouts and reduces by two-thirds the number of cashiers required.

Barbato points out that in many parts of the US "there is a growing shortage in the supply of labour for checkout clerks and baggers, and supermarkets generally employ absenteeism and turnover."

Demographic projections show that the number of young people entering the US labour market will fall gradually for the next few years. Paul Bernish of Kroger says supermarkets will not be able to recruit enough staff and will have to ask their customers to do more work themselves.

Jeremy Grindle, the director responsible for introducing new supermarket technology at Sainsbury's chain in the UK, looked at the CheckRobot system on a visit to the US earlier this year. "I was

very impressed by the thoroughness with which it had been approached and the efficiency with which it was working," he says. "But I doubt whether it will be cost-effective in a British supermarket for some considerable time."

Grindle believes CheckRobot may be more appropriate for the relatively relaxed and spacious atmosphere of a typical US supermarket than for a UK supermarket where the pace is faster and the sales density much higher.

But Don Jackson, a retail industry consultant with ICL, the leading UK computer company, thinks that the whole idea of self-scanning is irrelevant to the future development of the supermarket industry. "People are looking for more personal service now," he says. "They will not be prepared to see another level of service disappear unless it gives them an enormous price advantage."

Jackson and some other analysts believe the next significant advance in checkout technology will be a system that scans the groceries while they are still in the supermarket trolley - and therefore removes the present chore of unloading everything for scanning and then packing it all up again.

No company has said that it is close to testing a whole-trolley scanner and it is not clear how such a system could work without being prohibitively expensive.

One possibility, which might be developed from current shop security systems, is that the trolley would be pushed through an electromagnetic field (perhaps inside a tunnel). This would generate radio signals from an inductive tag attached to each item, which would transmit its individual product code to the checkout computer.

How CheckRobot costs what is in the trolley

THE MOST important parts of the CheckRobot system are the laser scanner, the touch-sensitive video monitor, and the security zone designed to detect cheating.

The shopper starts by touching the video screen. A computer graphics program on the screen then guides him through the process step by step. It tells him first to locate the bar code on each item and move this over the scanning window, just as the cashier does in a conventional supermarket equipped with checkout scanners.

The scanner's low-power laser beam is designed to "read" the bar code regardless of the angle and direction at which goods are moved across the window. But on an estimated 3 per cent of items the code cannot be read, because the label is badly printed or

damaged. When that happens the shopper can summon assistance by touching the Help spot on the screen.

As the customer scans an item the system calls up its price and identifying information from the supermarket computer. This is displayed on the video screen with a running total of the transaction so far. At the same time an itemised bill is printed.

The system also has a speech synthesiser which calls out the price as each item is scanned, though a shopper who is irritated by the computer voice can cancel it by touching a button. The voice can be programmed to speak in English or a second language (Spanish is likely to be a popular choice in parts of the US with large numbers of Latin American immigrants).

After scanning, the customer puts each item on a conveyor belt which takes it through the CheckRobot security zone - the system's most innovative feature. It travels through two metal archways containing sensors which measure its approximate size, shape and weight. The computer then compares these dimensions with those of the product that has just been scanned.

If the sensors show that the item has not been scanned, the belt changes direction and brings it back to the shopper, who can try again or call for help.

CheckRobot says the system will detect any attempt to deceive it by scanning a cheap product and putting something more expensive on the belt.

After travelling through the security zone the shopping ends up at a "lagging station"

where the customer or a store employee packs it into bags. (The Kroger stores make sure this is done by their staff, because bagging is traditionally part of the service in a US supermarket - and it helps to deter potential shoplifters.)

Finally the shopper takes the printed sales slip for payment to a central cashier. A typical supermarket will require one cashier for every three self-scanning lanes.

During peak periods the self-scanning lanes can be operated by supermarket staff. CheckRobot claims that the system is then 40 per cent faster than scanning in conventional lanes, because the checkout staff are concentrating on scanning and leaving the cashiers to handle payments.

WORTH WATCHING Edited by Geoffrey Charlish

Raychem makes easy co-axial connections

CO-AXIAL CABLES that are shielded by an outer layer of braiding pose the problem that this must be neatly and effectively connected to the outer cylindrical member of the plug to which the cable has to be assembled.

A quick, easy and electrically sound connection method using "shape memory metal" has been devised by Raychem, the US-based materials and components company.

Shape memory metals have a special characteristic. If they are mechanically deformed while below a specific temperature, they will, when warmed, return to the shape they had before deformation.

A ring of such material, held below the critical temperature and forced to a larger diameter, can be sized just to slide over a rod, for example. When heated, it will grip the rod. But then when it cools, it does not return to the larger diameter but "remembers" its original manufactured diameter.

Raychem can supply such rings, made to appropriate sizes from a nickel-titanium alloy called Nitinol. The installation sequence simply involves sliding the Nitinol lock ring over the assembled braiding and heating it to 150 deg C. It then forms a permanent connection between the co-axial cable and the plug.

VW-Audi switchboard takes direct action

TELEPHONE OPERATORS on a company's exchange can deal more quickly with incoming calls by using a screen and keyboard system from UK company Calliscan. The first of these systems has been installed at the Wilton Keynes headquarters of Volkswagen-Audi.

Instead of finding extension numbers by looking up names in printed directories, the operator uses an automatic telephone directory based on a central processor and one or more screens and keyboard terminals. Only the first two initials of a surname need be keyed in to obtain a display of the relevant section of the directory.

The system will also display other data that callers often ask for, like the numbers of company branches, conference

rooms and medical departments.

Volkswagen-Audi also plans to use the system as a visitors' book, recording names and other details, and logging visitors in and out of the building. The basic price of the system is \$5,900.

Sandia develops nose for gas detection

ONE OR more members of specific groups of gases can be detected by an "artificial nose" that is under development at the Sandia National Laboratories in the US.

The device, no bigger than the average size of an eraser, consists of six semiconductor components (diodes) etched into a silicon wafer by normal fabrication techniques (making for low cost in volume production). Each diode has a very thin covering of a catalytic metal (palladium, gold, silver, for example), which in the presence of a specific gas causes the diode to pass an electrical current.

By monitoring the current in the diodes and measuring the amount and timing of any changes, it is possible to determine when particular gases came into the environment and in what relative quantities.

Sandia engineers believe variations of the sensor, which at the moment works with gases based on hydrogen, will interest the petrochemical industry. Such sensors could, for example, be used to detect leaks.

Charterhouse seconds British inventiveness

CHARTERHOUSE, part of the Royal Bank of Scotland group in the UK, has launched Charterhouse Second Venture Fund. It aims to raise \$40m for investment in technology-based unquoted companies in the UK.

The fund will be particularly interested in investing in health care, biotechnology, environmental management, new materials applications, instrumentation and control, and hardware and software for information technology.

CONTACTS: Raychem: UK plant, 678 2877. Calliscan: UK, 021 981 4381. Sandia National Laboratories: US, (505) 944 8005. Charterhouse: London, 081 2522.

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Handwritten text at the top center of the page.



Gold mining companies administered by Anglo American Corporation

All companies are incorporated in the Republic of South Africa

Reports of the directors for the quarter ended March 31 1988

WESTERN DEEP LEVELS

Western Deep Levels Limited financial statement table with columns for Quarter ended Mar 1988, Dec 1987, and Mar 1987.

S.A. LAND

The South African Land & Exploration Company Limited financial statement table with columns for Quarter ended Mar 1988, Dec 1987, and Mar 1987.

VAAL REEFS—continued

Vaal Reefs Exploration and Mining Company Limited financial statement table with columns for Quarter ended Mar 1988, Dec 1987, and Mar 1987.

ERGO

East Rand Gold and Uranium Company Limited financial statement table with columns for Quarter ended Mar 1988, Dec 1987, and Mar 1987.

ELANDSRAND

Elandrand Gold Mining Company Limited financial statement table with columns for Quarter ended Mar 1988, Dec 1987, and Mar 1987.

VAAL REEFS

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SOUTHWAL HOLDINGS LIMITED Registration No. 68/11808/06 THE AFRIKANDER LEASE LIMITED Registration No. 01/08955/06

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

NOTE 1. DEVELOPMENT Development values represent actual results of sampling, no allowances having been made for adjustments necessary in estimating ore reserves. 2. ANGLIO AMERICAN GROUP EMPLOYEE SHAREHOLDER SCHEME The process of offering shares to employees in terms of the Scheme is underway and shareholders will be advised of the outcome once finality has been reached. LONDON OFFICES: 40 HOLBORN VIADUCT, EC1P 1AJ

Application has been made to the Council of The Stock Exchange for the whole of the ordinary share capital of P&P plc, issued and to be issued, to be admitted to the Official List.



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placing by Schroders

8,560,000 ordinary shares of 10p each at a price of 176p per share payable in full on application.

Business

P&P plc is a micro computer distribution company, supplying a comprehensive range of hardware, software, peripherals and related services to computer dealers and major corporate end-users.

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Table with 2 columns: Issued and to be issued, fully paid; and Authorised. Values include £2,846,466 and £4,000,000.

Particulars relating to P&P plc are contained in new issue cards circulated by Exel Statistical Services Limited and copies of the Placing document may be obtained during normal business hours, up to and including 8th May, 1988 from:-

- List of agents: J. Henry Schroder Waggy & Co. Limited, Hoare Govett Limited, Henry Coombs Lamden plc, P&P plc, Schroder Securities Limited, National Westminster Bank PLC.

and, during normal business hours on 25th and 26th April, from:-

The Company Announcements Office, The Stock Exchange, 46 Finsbury Square, London EC2A 1DD.

22nd April, 1988

Arts Week

Opera and Ballet

LONDON: Royal Opera (Covent Garden), Peter Hall returns to Covent Garden as producer of the eagerly awaited new production of the opera...

Theatre

LONDON: The Common Pursuit (Phoenix Theatre), Second London chance for Edward Simon Gray comedy about Cambridge graduates in love and publishing...

PARIS

Philippe Decouflis (Château de la Ville), Influenced by primitive and folkloric dancing, is followed by Carolyn Carlson in an experimental ballet...

VIENNA

State Opera and Ballet (Theateroper), Conducted by Gergely Richter, Janáček, Haydn and Berg; La Traviata; Werther conducted by Gergely Richter...

TOKYO

Ballets Royal Ballet (Tokyo Bunka Kaikan), Swan Lake (1988), (1988).

WEST GERMANY

Berlin, Deutsche Oper, Ariadne auf Naxos has fine interpretations by the young soloists...

WASHINGTON

The Search for Signs of Intelligent Life in the Universe (Kennedy Center), Lily Tomlin repeats her Tony-award winning solo performance...

TOKYO

The Wais of the Rose (Tokyo Globe Theatre, Shinjuku), The English Shakespeare Company opens Tokyo's newest theatre with Michael Bogdanov's lively and inventive production...

MUSIC

LONDON

Philharmonia Orchestra and Chorus conducted by Orwin Arwel Hughes with Elizabeth Armstrong, soprano, Sarah Walker, mezzo-soprano, Ned Mackie, tenor and Stephen Roberts, baritone...

TOKYO

John Hill, piano, Beethoven sonatas, Opus 10, Opus 26, Opus 33, Opus 39, Opus 48, Opus 54, Opus 60, Opus 69, Opus 78, Opus 81a, Opus 81b, Opus 81c, Opus 90, Opus 106, Opus 109, Opus 111, Opus 113, Opus 114, Opus 118, Opus 120, Opus 126, Opus 129, Opus 135, Opus 143, Opus 146, Opus 149, Opus 159, Opus 162, Opus 176, Opus 182, Opus 183, Opus 189, Opus 226, Opus 240, Opus 246, Opus 259, Opus 265, Opus 279, Opus 282, Opus 291, Opus 292, Opus 299, Opus 302, Opus 309, Opus 311, Opus 312, Opus 314, Opus 317, Opus 320, Opus 328, Opus 333, Opus 339, Opus 344, Opus 350, Opus 354, Opus 360, Opus 365, Opus 370, Opus 377, Opus 379, Opus 382, Opus 384, Opus 389, Opus 398, Opus 401, Opus 410, Opus 417, Opus 426, Opus 432, Opus 436, Opus 442, Opus 457, Opus 464, Opus 484, Opus 491, Opus 503, Opus 510, Opus 520, Opus 530, Opus 540, Opus 550, Opus 560, Opus 570, Opus 575, Opus 577, Opus 579, Opus 581, Opus 583, Opus 585, Opus 590, Opus 592, Opus 593, Opus 598, Opus 600, Opus 608, Opus 609, Opus 617, Opus 626, Opus 627, Opus 639, Opus 645, Opus 646, Opus 650, Opus 658, Opus 659, Opus 660, Opus 664, Opus 669, Opus 678, Opus 688, Opus 690, Opus 692, Opus 696, Opus 698, Opus 700, Opus 709, Opus 713, Opus 717, Opus 720, Opus 726, Opus 732, Opus 735, Opus 739, Opus 743, Opus 746, Opus 759, Opus 760, Opus 764, Opus 766, Opus 770, Opus 776, Opus 779, Opus 784, Opus 791, Opus 794, Opus 797, Opus 809, Opus 813, Opus 817, Opus 820, Opus 824, Opus 829, Opus 833, Opus 834, Opus 839, Opus 843, Opus 845, Opus 849, Opus 854, Opus 859, Opus 864, Opus 869, Opus 874, Opus 879, Opus 883, Opus 884, Opus 889, Opus 893, Opus 894, Opus 899, Opus 903, Opus 904, Opus 908, Opus 912, Opus 915, Opus 917, Opus 920, Opus 924, Opus 927, Opus 929, Opus 932, Opus 936, Opus 939, Opus 942, Opus 946, Opus 949, Opus 953, Opus 957, Opus 960, Opus 964, Opus 967, Opus 971, Opus 975, Opus 978, Opus 982, Opus 985, Opus 989, Opus 993, Opus 997, Opus 1000.

MUNICH

Munich Radio Symphony Orchestra and Chorus, The oratorio 'Elijah' with the conductor by Herbert Kegel, soloists are Mira Zeman, Edith Wiens, Wolfgang Schmidt and Bernd Welki (Tue).

NEW YORK

Orpheus Chamber Orchestra, Heinz Holliger cello, Mozart, 'The Marriage of Figaro' (Mon), Carnegie Hall (247 7000).

WEST GERMANY

Berlin, Martin-Gropius Bau, The first complete show of Joseph Beuys' (1921-1986) works ever presented in Berlin. There are about 100 sculptures and objects and about 100 drawings...

AMSTERDAM

Tropenmuseum, The arts and crafts of Indonesia, illustrated with more than 500 slides in Dutch, English, and Indonesian, with audio tapes and a book...

VIENNA

Austrian Museum of Applied Arts, The Kunstgewerbemuseum, A rare opportunity to see Russian and Soviet art from 1910-1922 under one roof. There are marvellous paintings by Kazimir Malevich, Wassily Kandinsky and Alexander Rodchenko...

CHICAGO

Chicago Symphony, Erich Leinsdorf conducting, Strauss, 'Ein Heldenleben' (Thu), Orchestra Hall (465 8111).

WASHINGTON

Chamber Music Society of Lincoln Center, Richard Schramm conducting, Handel, 'Rinaldo', Dvorak (Tue), Lincoln Hall (924 6700).

NEW YORK

Orpheus Chamber Orchestra, Heinz Holliger cello, Mozart, 'The Marriage of Figaro' (Mon), Carnegie Hall (247 7000).

WASHINGTON

Chamber Music Society of Lincoln Center, Richard Schramm conducting, Handel, 'Rinaldo', Dvorak (Tue), Lincoln Hall (924 6700).



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(These fares are subject to Government approval.) A BREATH OF FRESH AIR AIR CANADA

ARTS

Cinema/Nigel Andrews

Surrealist search after truth

Cobra Verde (PG) Remot, Gate, Nottingham

A Flame in My Heart (18) Cannon, Wisla 4 (18) Cannon, Oxford Street and Fenton Street

Animation Festival Everyman

Critics, ridiculed for the excruciatingly long English dialogue (it has now, to everyone's relief, been revoiced in German). And savaged as an example of the surrealism of the 1970s...

Madness, however, is not a guarantee of watchability or thematic resonance on the screen. Alain Tanner's Flame in My Heart is about the delirium of sexual desire...

There is no less a question how one should respond to Death Wish 4. Mute straddles is one option: a stiff drink is another. Here is Charles Bronson yet again as the grizzled vigilante hero, chasing the bad guys...



Cobra Verde: Klaus Kinski and his servant held captive by the King of Dahomey

Hindemith's Cardillac/Berne

Andrew Clark

It is a pity that Hindemith's early stage works have suffered the same decline in popularity as his other music, for on their rare outings in the theatre they still sound strikingly modern and individual.

But Cardillac's appeal is broader than that. The music heard here is the work of a composer who was sophisticated and intelligent, and it is hard to imagine the fascinating counterpart between music and stage action...

The casting did not receive quite the same painstaking care. Niklaus Tuller, a bearded, sturdy looking Swiss baritone, cut the right figure on stage, but his voice does not possess the range or dramatic edge for the title role.

Characterisation of all as the ready but ill-fated Cavalier. The chorus was excellent. Rochaix's staging, in Jean-Claude Marex's neat and exquisitely lit representational decor, placed the crowd scenes in an anonymous town square of the 1920s...

Tussle with the censors at the Istanbul Film Festival

The presence of Elna Kazan as jury president, who returned to the place of his birth to accept an honour he has consistently refused elsewhere, was enough in itself to underscore the relevance of the 7th Istanbul International Film Festival (April 4-17). Add to that a press conference on "Glasnost in Cinema" with neighbouring Georgian director Tengiz Abuladze...

30 countries were considered morally offensive and cuts were demanded, mainly due to male nudity; one, Tengiz Abuladze's Molva (Supplication) (Soviet Union, 1985) was banned entirely on religious grounds...

In favour of current government attempts to improve relations between Turkey and Greece. Istanbul will undoubtedly continue to grow in importance. The Cinema and Arts competition opens the road for the best of the world's cinema...

festivals this season. Yet among the twenty selected entries in the Turkish Cinema '87/88 section none rose far enough above personal reflections to weigh socio-political realities. However, Sadun Kurbanoglu's Hiding Season and Omer Kavur's Night Journey...

London Mozart Players/Festival Hall

Max Loppert

Dvorak's Violin Concerto - oddly shaped but full of beautiful music - was given one of its too-frequent London hearings during Wednesday's London Mozart Players concert. The first movement breaks directly into the middle Adagio before its full structural weight has been established...

It was certainly little in mind but the playing of the soloist, György Pánik, had a radiance, a purity, and a distinction of style and sound that bound the whole work together. Mr Pánik is so much before the British public that one fears his fine qualities are sometimes in danger of being taken for granted.

The LMP accompaniment under Jane Glover was sensitive and alert, not perhaps as glowing in string tone as the finest require. Amongst the concerto Dr Glover had placed Chabikov's Fourth Orchestral Suite (the "Mozartiana") and the Mozart Prague Symphony. The partnership between conductor and orchestra has solidified and flourished since I last heard them together in both works there was much deft, attractive music-making.

Now it is perhaps time to do more chance-taking - to find more dash and responsiveness to colour (Chabikov's wonderfully voluptuous harp and celesta strokes were underplayed), a more dramatic sense of harmonic flow. The conductor's sane, sensible approach to the Prague didn't suggest - as every performance should - that this is one of the most exhilarating, disturbing, and unworldly innovative pieces of music ever written.

Advertisement for VNU N.V. and AUDET N.V. featuring text: 'This announcement appears as a matter of record only', 'We represented a group of over 30% of the Audet shareholders and assisted them before and during the negotiations leading to an improved offer from VNU.', 'February 1988'.

Arts Guide

April 22-28

Continued from Page 30

WASHINGTON The human figure in early Greek art is the subject of a new exhibition in the 6th and 6th centuries BC with silhouetted stick figures and ending with the naturalism professed in the 5th century BC. Ends June 12.

CHICAGO Art Institute. A century retrospective of the work of Georgia O'Keeffe shows the world of flowers, bird skulls in the luminous light of New Mexico. Ends June 26.

TOKYO Tadao Muroga. Crafts from India. Textiles, sculpture and other crafts from the world of the states of Gujarat and Rajasthan. 10 master artists from these states will be giving live demonstrations of their work and all the works are for sale (at a separate location). Ends May 1.

NEW YORK Metropolitan Museum of Art. Every year the museum sets a highlight in this, the first comprehensive exhibition of his works that capture

France in the last decades of the ancien régime. With 90 paintings and 100 drawings, the show comes up to date with the studies of contemporary art in the 18th century, as well as paintings like The Flea at St Cloud and The Seaweed. Ends May 8.

WASHINGTON National Gallery. To mark the 300th anniversary of the first British colony in North America, a royal treasury covering four Swedish monarchs in the 16th and 17th centuries will show Sweden as a resolute and aggressive world power through objects and 100 paintings on loan from the Royal Treasury, the national museum and the royal collections. Shown in the East Wing. Ends Sept 5.

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Treasures of Ancient Egypt. The formal, hieratic art of Egypt is not to everyone's taste, and works often appeal more for their association with the cult of death or for their lavish use of gold and other precious materials. This exhibition gathers important pieces from collections in East Germany. Closed Monday. Ends June 12.

WASHINGTON National Gallery. To mark the 300th anniversary of the first British colony in North America, a royal treasury covering four Swedish monarchs in the 16th and 17th centuries will show Sweden as a resolute and aggressive world power through objects and 100 paintings on loan from the Royal Treasury, the national museum and the royal collections. Shown in the East Wing. Ends Sept 5.

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The Country Wife/Cheltenham

B.A. Young

Horner's opening dialogue with his doctor, where he requires to be thought of as a physically "undone for ever with the women," ensures by the near-farical standards of Wycherley's comedy that the most delectable women in town will allow him unusual intimacies. Wycherley allows our standards of belief a night off. We must also accept that Mr Pinchwife could hope that his young, pretty "country wife" would pass as a boy if she were her brother's breeches, when it is the basis of London society that every man is anxious to seduce every pretty creature he sees. Inevitably, when "boy" Mrs Pinchwife is allowed a walk in the Exchange, she encounters Horner and falls for him.

The production under John Doyle runs for under three hours, but all that is cut is some dialogue that must have meant more to Restoration audiences than it would to us. It is good to look at, except when the ladies posture with their sunshades as if they were in Gilbert and Sullivan. There is a flexible set by Glenn Willoughby, rather less than in the Swan, whose many-doored walls can bend to enclose Horner's or Pinchwife's rooms or the New Exchange. The final dance is cumbersome, but as it must have dull old Pinchwife (David Monton, not dull at all) in the forefront, that can hardly be helped.

Saleroom/Antony Thorncroft

Altar piece hits jackpot

Sotheby's hit the jackpot yesterday, with a monumental Spanish altar piece of the 18th century, 150 inches high, 89 inches wide, and 14 inches deep, selling for \$483,000, double its estimate, to a private collector. The appearance on the market of such a complete relic of our Christian past is rare.

The altar piece came from the workshop of Giotto, Juan and Mateo Beaumont, who were of Flemish origin and active in the Basque region around 1530. Their work survives intact in many local churches. This example has the crucifixion in the centre, with the lamentation below, and is in polychrome and giltwood. It was acquired by the Bernheimer family in 1912 and sold by them yesterday in an auction of European sculpture and works of art.

Wycherley fans can see The Plain Dealer at the Swan, Stratford-upon-Avon, next week.

Christie's had a modest sale of things Russian, plus icons. A Greek icon of the Dormition, with the signature of the 19th century Cretan painter Andreas Ritzos, but probably produced in Italy at around the same time, sold for \$15,400, way above forecast, with a large 18th century Russian icon double its estimate at \$12,100.

# FINANCIAL TIMES

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Friday April 22 1988

## The reform of education

THIS WEEK'S House of Lords debate on the Education Bill demonstrated once again the extent of opposition to the Thatcher Government's proposed measures. Peers whose support can normally be taken for granted revealed themselves as critics of some of the more controversial proposals: the Bishop of London, for example, said he viewed the impending abolition of the Inner London Education Authority "with dismay." Even Lord Joseph wondered aloud whether Mr Baker's national curriculum "might not impose too tight a strait-jacket." The contrast with the cross-party support for the 1944 Butler Act could not be greater.

Education is critical to the future success of the economy — and to the cohesiveness of society — in a way that the poll tax, for example, is not. The penalty for inappropriate changes here will be much greater than in other spheres. Yet the Government has allowed little time for consultation and is adding clauses to the bill, such as those relating to ILEA, at an alarming rate. It is presenting a controversial target when the complexities and importance of the subject demand that it seek broad support for a core of carefully worked out reforms.

Many of the reforms are not fully worked out, and some seem peripheral to the central task of raising standards. The contents of the proposed national curriculum, the amount of the timetable it will occupy and the way standards will be gauged are all unclear. Critics on the right point out that a central curriculum will limit choice and inhibit innovation; the more pragmatic centre worries that it may impose an excessively academic education on the less able 40 per cent.

**Dubious mechanism**

The provisions allowing state schools to opt out of local authority control are more strongly opposed. The mechanism — a simple majority of parents actually prepared to vote — is dubious. Why should one generation of parents determine the fate of a school for all time and what if only 40 per cent of them vote? Doubts are also being raised about the purpose of the policy.

**Worrying gaps**

There are also worrying gaps in the bill. The importance of effective pre-school nursery education is widely recognised, yet there are no plans to bring UK provision up to international standards. Likewise no effort is being made to increase the proportion of 16-18 year-olds staying at school, even though this is abnormally low. Entry to university remains extremely restricted by the standards of competitor countries. Mr Baker is doing nothing significant to improve opportunities for adult education, even though changing economic circumstances are increasing the need for education throughout life. Grants and other subsidies remain disproportionately concentrated on young full-time institutions catering to adult part-timers have had to fight for their very existence. There is much work for the Upper House when detailed scrutiny begins next month.

## Europe's forum for defence

THE DECISION this week by the seven-nation Western European Union to open exploratory negotiations on Spain's and Portugal's membership applications has again focused attention on the role of that shadowy organisation. For it hardly seems worth while, either from the point of view of its present members or of the two applicants, to enlarge the WEU if its contribution to forging a European identity within the Atlantic Alliance is not more clearly defined.

Originally created in the immediate post-war era as a mutual security pact by Britain, France and the three Benelux countries, and later enlarged by the accession of West Germany and Italy, the WEU has suffered from long bouts of somnolence.

Part of the reason for this low profile was that members with a much broader membership including the US, Canada and Western Europe, quickly took over the role as the Western world's principal defence organisation. That continues to be the case. But recent developments in East-West relations have given the WEU a new relevance. The Western European countries have begun to realise that they may not be able to count indefinitely on the US nuclear umbrella, or indeed its conventional protection. Moreover, the financial constraints faced by Washington have increased the pressures on its European allies to accept a larger part of the burden of defending their own continent.

**British fears**

The obvious place for the Europeans to discuss these problems amongst themselves is the WEU, since the European Community does not, so far at least, have the competence to discuss defence matters. A good start was made last October, when the organisation's Foreign and Defence Ministers adopted a common security "platform," which goes further than anything they have done before in setting out a European defence strategy. Yet the WEU remains hamstrung by the fears of some of its members, particularly Britain, that if it goes too far in the direction of working out a common European position, it would undermine Nato, encourage

Ian Davidson explains why the presidential election on Sunday could prove a watershed for France

# Beneath the sheen of consensus

FRANCE'S presidential election, the first round of which takes place on Sunday, offers the spectacle of a contest which is more interesting and much more significant than it appears at first sight.

To a majority of the French electorate, according to a poll a few weeks back, the campaign appeared uninteresting, no doubt because there has been too much apparent consensus and too much predictability about the final outcome.

Yet the French are wrong to be bored: beneath the smooth sheen of consensus and the apparent predictability of the result, it is arguable that this election will prove a fundamental turning point for the Fifth Republic.

A central prediction emerges from all recent polls: President François Mitterrand will come top on Sunday by a wide margin; Mr Jacques Chirac, Prime Minister and leader of the neo-Gaullist RPR party, will come second, well behind Mr Mitterrand but comfortably ahead of Mr Raymond Barre, his chief right-wing rival and standard-bearer for the UDF umbrella grouping of centrist and liberal parties; and Mr Mitterrand can confidently expect to be re-elected for a second term, in the second-round run-off against Mr Chirac in a fortnight's time.

Naturally, the last part of this prediction is much less secure than the first; as Mr Mitterrand keeps reminding his supporters, in the first round, there was little doubt that Mr Mitterrand will come first, because his standing in the polls has remained consistently in the region of 36 to 38 per cent for several months, even if it has tailed away a little. There seems equally little doubt that the second-round run-off will be between him and Mr Chirac, over recent months, Mr Chirac's rating has climbed steadily while that of Mr Barre has fallen equally steadily, and recent polls put Mr Chirac 4½ to 6½ percentage points ahead of Mr Barre.

Uncertainty becomes more serious with the second round. According to the crude aggregates in the opinion polls, the supporters of all the right-wing candidates taken together outnumber the supporters of all the left-wing candidates taken together; but Mr Chirac and Mr Barre together only add up to 40-42 per cent.

The critical difference in the numbers comes with the addition of Mr Jean-Marie Le Pen, the extreme right-wing National Front candidate, whose rating has gradually risen to an astonishing 10-12 per cent. Mr Le Pen's strength comes partly from the high concentration of immigrants in areas like Marseille, Paris and Lyon, but partly reflects a protest at the high level of unemployment; this general protest element makes his following particularly unstable.

If the polls nevertheless consistently give Mr Mitterrand the final victory, it is because of the depth of the divisions and antagonisms within right-wing opinion in France. A significant minority of Mr Barre's supporters say they would not vote for Mr Chirac in a run-off against Mr Mitterrand, and vice versa, while an even larger proportion of the supporters of Mr Le Pen say they would vote for neither of the mainstream right-wing candidates on May 8.

Of course voters may change their minds after Sunday's result; if they face a stark choice between Mr Mitterrand and Mr Chirac, for example, Mr Chirac could perhaps gain a surge of support from right-wing voters who would really prefer to be voting for someone else. The final result will probably be a lot closer than the 52-44 per cent Mitterrand victory predicted in most polls; but the surge to Chirac



The key figures: Jacques Chirac, Jean-Marie Le Pen, François Mitterrand and Raymond Barre

would have to be very large to give him victory.

In this respect, Mr Mitterrand's tactics look especially subtle; some might even say devious. Mr Barre has promised to dissolve the National Assembly if elected; he must, because he would need to strengthen his position in parliament where the neo-Gaullist RPR party is larger and more disciplined than his disparate followers in the UDF. For mirror-image reasons, Mr Chirac says he would not dissolve the National Assembly; moreover, he does not want to alarm National Front deputies who come to parliament under proportional-representation voting rules, but whose seats would be vulnerable under the majority-voting rules restored by the Chirac Government.

Mr Mitterrand, by contrast, is having it both ways. On the one hand, he says that he would not wish to dissolve the National Assembly. He would appoint a Prime Minister to reflect his ideas and this Prime Minister would form a government. Only if the government were "prevented" from governing, would Mr Mitterrand call fresh general elections.

Many observers suppose that the odds are against Mitterrand's being elected Prime Minister. He would have to be a "right-wing" leader like Michel Rocard, the former Agriculture Minister, but Mr Mitterrand has been very careful not to specify that the Prime Minister would be a socialist. Moreover, he has gone out of his way to declare that there are numbers of a party leader, his position would be weakened by electoral defeat. Mr Chirac would be out of parliament, but he would remain a powerful figure with immense powers of patronage as Mayor of Paris; a convincing showing in the second round might help him strengthen his RPR party by forging links with, or even taking over, elements of the UDF.

By contrast, former President Valéry

Giscard d'Estaing would remain perhaps the leading centre-right figure in the National Assembly, and there has been growing speculation that he would profit from a Mitterrand victory. He has conspicuously refused to declare a choice between Mr Chirac and Mr Barre, each of whom served under him as Prime Minister in the 1970s. And when Mr Mitterrand is asked whether he would return to proportional voting or not, he keeps his options open (as usual), but always includes some kind words for Mr Giscard d'Estaing's proposal for a mixed system, with proportional representation in departments with large populations.

### Mitterrand as tactician will employ almost any device and dangle any lure to win and to control the political system

who loses his government job cannot recover his seat in parliament except through a general election. If he resigns, the seat would be taken by the next person on the party list, and so on. So long as Mr Mitterrand postpones calling new elections, therefore, Mr Chirac and the other heavy hitters in the Government would stay in place to play any role in the National Assembly.

How much difference this would make in practice is unclear. Mr Barre would remain a Cassandra-figure on the back benches, but since he has deliberately avoided trying to be a party leader, his position would be weakened by electoral defeat. Mr Chirac would be out of parliament, but he would remain a powerful figure with immense powers of patronage as Mayor of Paris; a convincing showing in the second round might help him strengthen his RPR party by forging links with, or even taking over, elements of the UDF.

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In other words, the tactician in President Mitterrand is prepared to employ almost any device, and dangle any lure, to win not just the victory in the presidential election, but control of the political system. The corollary is that this presidential election almost unavoidably marks a fundamental departure from the doctrinal and constitutional tradition inherited from General Charles de Gaulle as founder of the Fifth Republic.

All three leading candidates pay lip-service to the legitimacy of the Gaullist tradition, and in two respects they are partly sincere. First, there is a popular consensus on the need for the French nuclear deterrent; second, there is a consensus on the merits of the constitutional arrangements of the Fifth Republic. But Gen de Gaulle would not have approved of the direction in which France's nuclear consensus is evolving, and he would have vigorously decried the party-political manoeuvring of this election.

Ostensibly, the nuclear consensus still rests on the notion of French independence. In reality, the socialists, following the neo-Gaullists, have moved steadily towards the idea of much closer defence links with France's

European allies; they have not solved the problem of how to reconcile defence co-operation with nuclear independence, but it is evident that European co-operation now has a priority which is logical in the post-Reykjavik era but which is scarcely Gaullist.

The shift in attitude is eloquently paralleled in the policy of the neo-Gaullist RPR party towards the European Community. De Gaulle paralysed the Community for six months in 1965 in the name of a claim for a national veto; in 1965 President Mitterrand signed the European Single Act which significantly increased majority voting; the neo-Gaullist RPR, like the Socialist Party, proclaims the overriding merits of the single European market and the need for a single currency and a European central bank.

Perhaps President de Gaulle's views on Europe would have evolved over time. He certainly would have approved the party-political manoeuvring which has come to characterise this election. Mr Barre is the only major candidate to attempt to emulate De Gaulle, by standing as an individual free of party ties; but the verdict of the opinion polls is that only a national hero can hope to be elected without the support of a major party apparatus, and while Mr Barre may be "the best economist in France" (in Giscard's words), he is not a national hero.

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### New breed of mouse

It is the mouse for today and he lives in Birmingham. He cocks a snoot at poisons and treads a different path to his cousins. He is the young upwardly mobile mouse (yummy) and is potentially a big problem to the people in the rodent control business.

The yummy, like his human counterparts, is a phenomenon of the 1980s. He has developed from the 1970s supermouse which became resistant to some poisons.

The new mouse was discovered by Rentokil pest control workers in the Bull Ring area of Birmingham and so far it has defeated the best attempts at eradication. This is worrying news for Rentokil since it has just whittled out its latest weapon against rodents, the Mouse Alert, a sort of burglar alarm triggered by breaking the infra-red beams in a small box designed to be particularly inviting to mice. The system is aimed at companies where being completely mouse-proof is essential.

Ordinary mice tend to walk along the sides of solid objects and are insensitive by nature, so the system would appear infallible. Whether it works against the Birmingham mice is another question. The yummy has a tendency to walk out into the centre of a room and is not tempted by poisons or even trumps of untreated chocolate.

A research programme has been established by Dr Richard Sibley, a zoology lecturer at Reading University and Adrian Meehan, chief biologist at Rentokil and author of Rats and Mice, Their Biology and Control, the standard work on the subject.

Sibley says one problem has been catching mice for the study because avoiding traps is precisely what they are good at. When he has enough, he hopes that the study will provide valuable evidence of genetic behavioural changes. He said: "I could, of course, be a cultural effect which would be equally exciting." Rentokil is used to the

### OBSERVER

**Change of caste**

People from the Antipodes are talking about a new group called Naussies. They are the new Australians: those who emigrated from Asia.

**Goodhart again**

Goodhart's law may have been proved right once again. The law states that whenever you begin to target a monetary variable, it begins invariably to misbehave.

Charles Goodhart is the former chief monetary adviser to the Bank of England and now Professor of Banking and Finance at the London School of Economics. It was he who cast some scepticism on the targeting of M3 — the broad measure of the money supply — when monetarism was at its height.

The British Treasury is now trying to convince financial markets that M4, an even broader measure which includes deposits to banks and building societies as well as notes and coin in circulation, is the indicator they should be watching.

This variable has been growing by about 16 per cent for some time. Yesterday's money numbers show its annual growth rate has risen to 16.7 per cent.

**Danish breakfast**

The US planning to gobble up Denmark? The possibility cannot be ruled out after statements from President Reagan's White House spokesman, Marlin Fitzwater.

After the press briefing on Wednesday to comment on a resolution by the Danish Folketing stopping visits to Danish ports by warships which decline to respect

### Change of caste

parliamentarian" who enjoys the back benches, said that it was "a patrician view."

Benn put the week's events in perspective by pointing to historical precedent, going back to the party split in two respected opinions of the 1890s. "The day we accept that the House can remove a member is the day we destroy parliamentary democracy," he hyperbolised. Still, he had a point in saying that Brown's real offence was against the rules of the club rather than against democracy as such. Some of Margaret Thatcher's new breed of Tories are too pompous.

In-jokes abound. A traditional High Tory baronet, Sir Nicholas Bonser, admitted that he had been Brown's pair to voting arrangements for nine years — as weird a coupling as the Commons can ever have seen.

Brown's few supporters came from Labour's hard-left, including Eric Heffer who said that the House did not "need a sledgehammer to crack a nut." Heffer was drowned out by laughter before completing the cliché. But he had it about right.

**Sense of history**

There was a slightly curping tone, we thought, in the reactions of both the British and US administrations to the freeing of the hostages by the Algerians authorities. At least the Algerians got them out alive, which did not always seem likely.

One British newspaper went even further in its indignation at the release of the hijackers. "The writ of the civilised powers runs much less far than it did, say, 50 years ago," wrote the editor of the Daily Telegraph.

Fifty years ago was 1938, hardly the best of times for civilised international behaviour.

**Nice to be asked**

"Are you the owner of the Rolls that's blocking the entrance to the car park?" the landlady of a Sussex pub asked a young man in the saloon bar on Saturday.

"No, I'm not," was the reply, "but thanks awfully for asking me."



"THERE IS AN ALTERNATIVE"

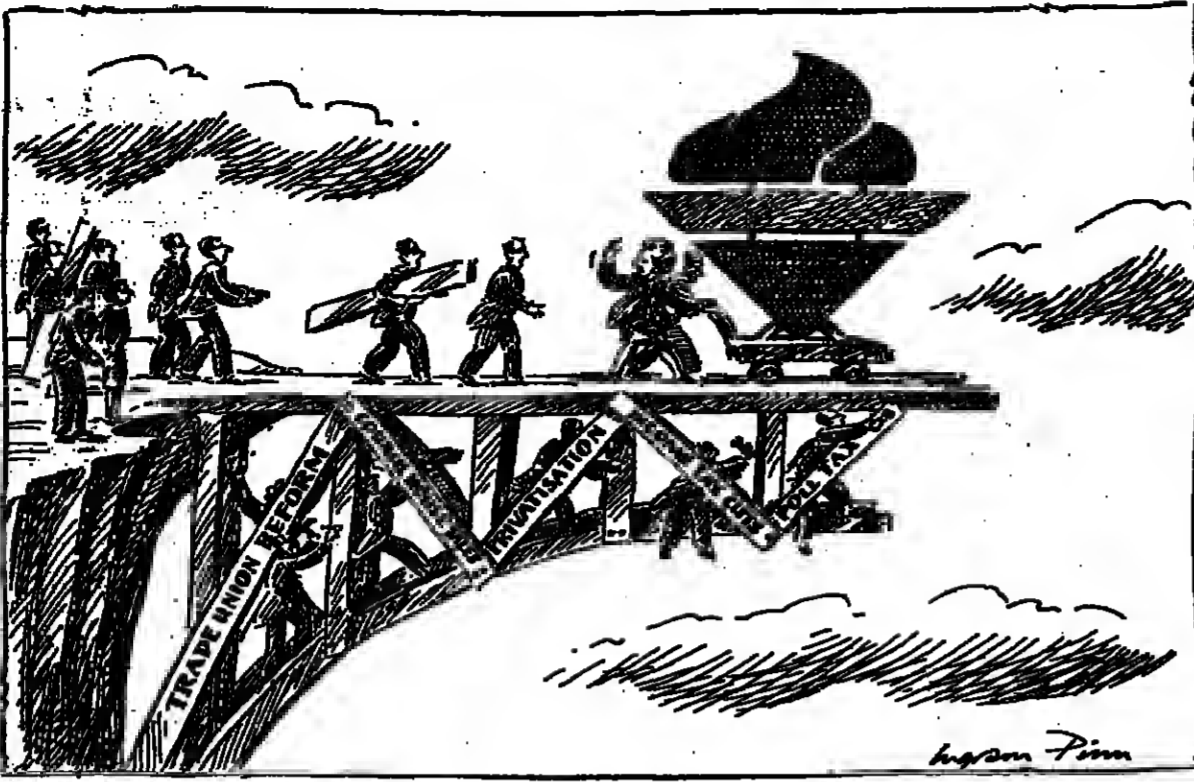
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POLITICS TODAY: Joe Rogaly



Mrs Thatcher knows how far is too far

ONE DAY Britain's conservative reformation may go too far. If (when) they do, they will self-destruct. I cannot tell you exactly what "too far" is, for the line has been receding since 1878, when the present Tory government was first elected. At one time it would have been unthinkable to sell publicly-owned houses to sitting tenants at a discount, or to face down the trade unions, or to return virtually all the nationally-owned industries to the private sector. Now those policies are regarded as the foundation-stones of the Government's success. There was a day when the idea of student loans would have been rejected out of hand as an American device. Even a scheme for top-up loans as a means of adding to existing grants would have been greeted with the moment the first official minutes appeared. Now that rather sensible notion is being wheeled along the "too far" line to see if it stops short. A few years back the proposition that the building of prisons should be put out for private tender would have elicited the response that the proposer was mad. This link is within the likely bounds of end-of-the-day acceptability. Before you know it, they'll be talking about the management of prisons by private firms. If that gives an idea of how the boundary shifts, consider one or two past policies that are not being put forward because they would quite clearly overstep the mark. In the House of Commons some simple-minded Tory backbenchers clutch you by the sleeve and mutter that it is a strange coincidence that the streets are unswampy while many people are unemployed. The answer is plain: force cleaners for unemployment benefit to sweep the streets. At one stroke, they say with glittering eye, you abolish both unemployment and the social security bill. Such people look longingly across the Atlantic at "workfare", which at its worst could mean cheap forced labour and at its best sophisticated training schemes like those the Swedes operate so successfully. (In my view a combination of good training schemes with an obligation to take available, suitable, properly paid work is the common sense.) But workfare is the policy that dare not speak its name. Its introduction under its American label would constitute going "too far". That is why Conservative ministers strenuously deny that any such plan is in their minds. The fact that the Government is beginning to introduce it, under the guise of expanded training schemes and a programme of steady pressure on the unemployed to be available for work, is neither here nor there. Or take the National Health Service. It remains for health care to be provided in the private sector out of court. Encouraging more use of private hospitals is not looking the consultants in the eye and asking whether perhaps they are a trifle overpaid is politically possible; paying the nurses less than their market value is less so.

has been forced upon her by circumstance, as in the Westland case, when she had at least one foot over the boundary of "too far". But whatever the proximate cause, she has not yet completely overstepped the fatal line. This is remarkable. After three election victories in a row, Mrs Thatcher's determination and forceful manner have put more personal executive power in her hands than has been exercised by any peacetime Prime Minister. You can see it in the shining, adoring faces of her party workers (as at the Conservative central council meeting at Buxton the other week), on Monday night, when she won that crucial vote on the community charge (poll tax) in the House of Commons, you could see it in her own face as it changed in a micro-second from sombre uncertainty to laughing triumph. Many people would have become so drunk on that amount of power that they would have made some dreadful error of judgement by now, and possibly have been turned out of office as a result of it. Not Mrs Thatcher. She is blessed with the ability to know when a move would be "too far". If she loses that ability she herself will be lost. That is why the conservative revolution will continue, in spite of a series of mini-rebellions on her own benches over the past few weeks. The closest the Government has come to "too far" was on Monday's vote on the poll tax - the levy of which even the most desperate in the land will have to pay at least two times. But with a 26-vote margin of victory the Prime Minister could comfort herself with the thought that the vote had not taken her too close to the precipice. After all, the recent manifestations of ethical discontent follow a Budget that many people would judge as being out of line even two or three years ago - yet the top rate of income tax has been reduced to 40 per cent and social welfare payments to some of the worst-off have been trimmed, all within a few weeks of one another. The Government has survived. My guess is that if Downing Street does one day lose its sense of balance it will be over some security issue - the over-zealous prosecution of a leak, perhaps, or the introduction of too restrictive a bill on secrets. A more mundane test of the Prime Minister's ability to know when to stop may, however, arise quite quickly in the House of Lords. The issue would, of course, be the poll tax. For it is still possible to go too far on this issue. Let us assume that when the present Bill is put before their Lordships they

so alter the nature of the community charge that it becomes an embryonic local income tax. That would be the effect of "banding" the charge - increasing the amount of poll tax payable by higher rate income tax payers and halving it for non-taxpayers - as proposed by the doughty Conservative backbencher Michael Mates in the Commons on Monday. Banding would be fairer, but it would sink the principle of what the Prime Minister has described as the flagship of her legislative programme. In such circumstances Mrs Thatcher's reaction would depend upon her sense of what was politically possible. The poll tax is increasingly unpopular, not least because it is seen to be unfair. Mr Mates and his supporters may have lost the vote in the Commons on Monday but the moral victory was theirs. No one who was present at the debate could doubt that the Government got by on a combination of the votes of its own members, would be placated, and the blindly loyal supporters. The latter were not sufficiently in evidence to carry the day unaided by the former. So if the Lords were to insist on the degree of fairness proposed by Mr Mates a sensitive government might accept that with good grace. This is, however, a revolutionary

Government. Its leader's avowed purpose is to "change everything". Both the Prime Minister and her Secretary of State for the Environment, Mr Nicholas Ridley, sincerely believe that it is right for every voter, however destitute, to pay at least something towards local government services, and that the more voters who pay the entire flat rate amount the better. To them the alternative might be the continual re-election of high-spending left-dominated Labour councils. And there lies the rub. For the further you move away from a flat rate poll tax the less effective is the disciplinary effect upon low-income voters. The tax must be unfair if it is to have the desired effect. (In fact "loopy" councils are already being curbed by rate-capping, removal of housing stock, potential removal of education powers and many other measures. The poll tax is a second pair of braces on top of belt, braces and a rope around the waist.) The Government in its present mood might therefore seek to override a Lords resolution that "banded" the poll tax. It would presumably go for a further vote in the Commons. Constitutionally speaking, that would suffice, if the Government won the vote. Too far? It is already being argued that the hereditary and manufactured peers should not override the will of the people, although their democratically-elected representatives in the Commons. It is true that the Lords is not a democratic institution, but the argument remains hazy. On a free vote the democratically-elected representatives would reject the entire poll tax. It would presumably go for a further vote in the Commons. Constitutionally speaking, that would suffice, if the Government won the vote. Too far?

Lombard Tilting at Tory monopolists

By John Plender

FOR THE foreign currency traders who have been piling into sterling in recent weeks, the Thatcherite miracle is taken as read. For foreign tourists, on the other hand, it is a much more confusing affair. Why, they persist in asking, are the London underground stations so squalid, the phone boxes out of order, the roads full of potholes and the health service in disarray? Foreign businessmen, meantime, are bemused that the most frequently cited example of the dramatic turnaround in British industry - the British Steel Corporation - is squarely planted in the ideologically unsound public sector. And why, they ask, is the British government so antipathetic to a market solution to the future ownership of Rover Group? The answer, on all counts, is that the approach of Mrs Thatcher's government towards public and private ownership is a muddle - a mixture of blind prejudice against the public sector and half-hearted commitment to competition. And that represents an outstanding opportunity for Labour's current policy review. If Labour's trade and industry spokesman Bryan Gould can persuade his party to junk its commitment to nationalisation and shed its image of being soft on monopolists and producer interests, much Tory policy on industrial affairs could be shown up for the atavistic nonsense it really is. Consider the potential political gains for Labour. The popularity of the British Telecom privatisation derived chiefly from the underpricing of the original issue. The profits made by the army of small investors that subscribed for the shares and then worried about Labour's pre-election commitment to renationalisation are by now a distant memory. Not so the general dissatisfaction about BT's quality of service. Despite the rather fraught attempt by British Telecom to improve its image, there remains a rich vein here for the opposition to tap. There is also a genuine problem of industrial structure to be confronted: how to enhance the competition for British Telecom and improve the regulatory framework. But the prize is surely worth shooting for.

Decisions spaced out

From Mr Phillip Oppenheim MP. Sir, The Government has not effected a "double U-turn" on space policy (Leader, April 18). It has carefully considered the possibilities and practicalities of the many joint ventures on offer, and decided which to invest in. This measured approach has resulted in some modification to the projects and hence a better deal for UK taxpayers. It is understandable that the companies which stand to benefit (and their lobbyists), as well as a large and vociferous bunch of space enthusiasts, should be disappointed. But what we are only just beginning to get our basic industries right, it would be rash to divert resources into highly speculative and competitive space ventures. We may lose some scientists to overseas competitors, but not as many as would have been sidetracked from the rest of industry were we to pump money indiscriminately into these projects. It is also arguable that one reason why US elections tend to lean to the right is that they found it more profitable to rely on the easy pickings offered by state-backed space projects than to compete in world markets. Brabazon, Ruse Streak, TSR2, Conquest and Nimrod were all eagerly promoted in their time, but all proved commercially unviable or financially unsustainable. Their cost to the rest of the economy was very dear. Phillip Oppenheim, House of Commons, SW1

Letters to the Editor

Principles do not always pay

From Mr Barry Clark. Sir, You are less than fair to Michael Mates (Leader, April 20). You imply that ministerial status would occupy apparently idle time sufficiently to prevent him inciting further rebellion. However, the espousing of principled objections is not the conduct most likely to be rewarded by long service as a minister under the present administration - viz. many of the

Roll out that map

From Mr Gordon Tymn. Sir, George Stern (Letters, April 19) suggests that Italy is set to become "unreachably ahead" of the UK. Maybe - although that's not my experience. Can I suggest, though, that he will find Italy even more unreachably if he continues to seek it in north-west Europe? Gordon Tymn, 6 Edgewood Court, Yorksley Lane, Brantford, Derbys

Empress of ice cream

From Mr Adrian Hewitt. Sir, Neither Christopher Partridge's consumer industries editor (April 19), nor the Shrughmore trading standards officer who wrote the report "Ice Cream Technology: Its Use and Abuse" seems keen to identify the food technologist who developed the recipe for the ice cream which is pushed up with large amounts of unclarified air. Yet the author of a paper on the elasticity of ice cream, written as an employee of J. Lyons at Cady Hall in 1950, was our present Prime Minister. This information comes from Geoffrey Cannon's Politics of Food (Century Hutchinson, 1987). He credits Mrs Thatcher with the invention, adding that there is no reason to suggest that she intended to defraud the public. Adrian P. Hewitt, 15 Framfield Road, NS

Presumptuous to use the Prime Minister to advance one firm's interests

From Mr James Moorhouse MEP. Sir, You published a six-page series of advertisements from the UK subsidiary of the Japanese electronics firm, Epson (April 12). These featured a Japanese woman dressed in the clothes of Margaret Thatcher. As one turned the pages, her facial features changed progressively into those of the Prime Minister. The message of this spectacular advertising blitz was that the forthcoming EC anti-dumping duty on Japanese matrix dot printers would create - later still - unemployment in Britain, cut investment in Britain, and generally retard the process of international free trade. Setting aside the provocative and presumptuous use of the Prime Minister to advance the particular commercial interests of one firm, it is important to correct the grossly misleading impression given to your readers that anti-dumping duties have any of the effects described. Such duties have frequently been applied to Japanese and,

Instead, Epson and its ilk are prepared to stop dumping, let them take their place with other "British" producers competing fairly on our domestic market. If not, they should be penalised for abusing the free trade system they are so keen to extol. Lord Young (whom Epson quotes) may well have said that: "We need to shift the perception of Japan from problem to major opportunity", but the Government rightly has seen that anti-dumping action, which it endorses, exists independently of trade policy towards Japan. What Mrs Thatcher - so mischievously misrepresented in these advertisements - realises is that anti-dumping action is the antithesis of protectionism. It is the safeguard of the framework conditions for open trade, in ways clearly defined by GATT. As such, it should be supported and defended against the well-financed claims of interested parties caught in the act. James Moorhouse, European Parliament, 14 Buckingham Palace Road, SW1

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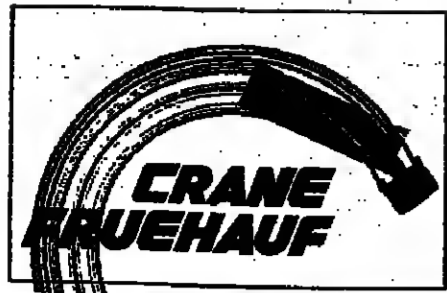
The Private Client Department of Rudolf Wolff. Rudolf Wolff & Co Ltd, The Private Client Department, Plantation House, 31-35 Fenchurch Street, London EC3M 3DX. Telephone: 01-626 8765. Telex: London 828234. Fax: 01-626 3939. Please send me details of: Managed Traded Options Accounts Independent Traded Options Accounts Name: PTZZ Address: Postcode: Telephone: Rudolf Wolff. A Member of the Association of Futures Brokers and Dealers (AFBD).





SECTION II - COMPANIES AND MARKETS  
FINANCIAL TIMES

Friday April 22 1988



See the lights at Hannover! Visit us on stand 2445 Hall 9 for all that's new in lighting or ring London 722 6611 for information. TUNGSRAM MAKES LIGHT WORK

GM profits reach \$1.1bn on strong car performance

BY ANATOLE KALETSKY IN NEW YORK

GENERAL MOTORS, the world's biggest motor manufacturer, appeared to suffer a setback in the first quarter, despite the car division reporting higher net profits of \$67m, or \$3.11 for each common share. Although this year-earlier automotive profits were originally reported as \$64m or \$2.82, there was a change in inventory accounting introduced in the third quarter. After adjusting for this accounting difference, comparable 1987 profits would have been \$62m or \$2.26 a share, implying an earnings decline of 4 per cent. Meanwhile, the first-quarter earnings attributable to GM's Electronic Data Systems unit rose 30 per cent, to \$48m or 73 cents for each special GM-E share, and earnings from GM Engine Electronics increased by 41 per cent to \$3 cents per GM-E share. Earnings for the GM group as a whole were \$1.092bn - 18 per cent up on the year, disregarding the accounting adjustment, or 5 per cent down, if the accounting adjustment was included. A large part of the underlying deterioration in the automotive business's performance was due to lower profits from GM Acceptance Corporation, the company's financing arm. GMAC's first-quarter earnings fell to \$124m from \$64m, as a result of lower interest margins in the increasingly competitive auto-financing business. GM's sales of vehicles to dealers also fell by 5.4 per cent to 1.942m units. As a result, total revenues were almost unchanged at \$26.4bn, compared with \$26.1bn last year. However, declining dealer sales, which the company said were required to work off excess inventories at the beginning of the year, belied a substantial improvement at the retail level, both in the US and overseas. Retail sales of GM cars in the US increased 12 per cent over the first quarter of 1987, while US truck sales grew 24 per cent and GM's share of the US car market improved to 37.5 per cent, from 33.4 per cent. Overseas sales of cars and trucks combined jumped 15.5 per cent to 545,000 units.

Record quarter for RJR Nabisco

By Frederick Oram in New York

RJR NABISCO has reported record first-quarter earnings, with the help of a strong performance from its food businesses and to a lesser extent its worldwide tobacco operations. Net profits for the three months ended March 31 rose 27 per cent to \$26m or \$1.09 a share, from \$21m or 83 cents a share. Sales grew 8.7 per cent to \$2.79bn, from \$2.54bn. Consolidated operating income was \$27m, up 6.5 per cent before heavy restructuring costs in the year-earlier period. A gain in the latest quarter from the sale of its Heublein subsidiary was offset by costs of further restructuring and early debt redemption. Food operations, which included some of the leading packaged food brands in the country, turned in an 11 per cent increase in operating income to more than \$305m in the latest period. Sales grew 7.4 per cent to \$2.5bn. A gain from the sale of some confectionery operations was offset by accounting changes. RJR Nabisco said some of its best-performing products in the quarter included US Biscuits, international foods in general, Life Saver candy and Del Monte fruit. Income from worldwide tobacco operations rose 1.5 per cent to \$88m on sales ahead 10.7 per cent at \$1.5bn. In the US, higher prices and increased productivity more than offset lower unit volume. An RJR programme to realign trade inventories caused the fall in volume. Tobacco results abroad were boosted by strong volume growth and favourable pricing and foreign exchange trends.

Salomon resists trend with 16% advance

BY OUR NEW YORK STAFF

SALOMON, the large New York investment house, managed to resist the trend of deteriorating results on Wall Street, reporting a 16 per cent improvement in net profits. The higher profits came despite declining revenues and a flat overall performance from the Salomon Brothers broker-dealer unit. Salomon earned \$178m or \$1.13 per fully diluted common share, compared with \$145m or 96 cents in the first quarter of 1987. The group's total revenues declined 6 per cent to \$1.612bn. Salomon Brothers' revenues accounted for \$1.423bn of this, 10 per cent down on the year-earlier figure. The remainder of Salomon's business is derived from the Phillips Brothers commodity broker-dealer unit. Salomon earned \$178m or \$1.13 per fully diluted common

Finance. Pre-tax earnings from the Salomon Brothers broker-dealer unit were \$252m, 2 per cent up on the year before, while Salomon Commercial Finance showed a 25 per cent improvement to \$45m, Phillips Energy advanced 12 per cent to \$57m and Phillips Brothers increased its earnings five-fold to \$15m. At Salomon Brothers, revenues from net interest and dividends and principal transactions declined 5 per cent to \$468m, while investment banking revenues rose 31 per cent to \$146m. Commissions increased by 7 per cent to \$88m. Salomon Brothers' compensation costs fell 4 per cent to \$271m, but other non-interest expenses jumped by 16 per cent to \$148m.

Schlumberger spurts to \$101m

BY OUR NEW YORK STAFF

SCHLUMBERGER, the leading US oilfield services company, yesterday reported a sharp improvement in earnings for the first quarter, largely because of a moderate recovery in drilling activity in the US. The once high-flying group, which is struggling with a deep recession in its wireline or electronic oilfield logging business, was helped by good demand for its measurement and control systems outside the oil industry. First-quarter earnings were \$101m or 37 cents a share, against \$8m or 2 cents a share for the first three months of 1987. Revenues improved 18 per cent to \$1.3bn. North American oil and gas exploration, which collapsed with the fall in oil prices two years ago, has picked up from its rock bottom last summer. Schlumberger reported a 61 per cent increase in North American wireline revenues from the devastated levels of first-quarter 1987. Overall, oilfield service revenues rose 24 per cent to \$928m, according to Mr Euan Baird, Schlumberger's chairman. Schlumberger's non-oilfield business increased revenues by 15 per cent to \$68m, with part of the rise attributable to Nemo, a water meter maker acquired last year. Schlumberger Industries, which specialises in electronics and metering, reported record earnings, revenues and orders, Mr Baird said.

AMR income soars to \$68.4m

BY OUR NEW YORK STAFF

AMR trebled its profits in the first quarter, due to sharply busier traffic and higher fares at American Airlines, its main operating subsidiary, which is a leading US carrier. Net profits for the three months ended March 31 were \$68.4m or \$1.12 a share, against \$21.9m or 34 cents a year earlier. Revenues increased 40 per cent to \$1.97bn from \$1.38bn, reflecting more flights, higher load factors and better yields in terms of revenue per passenger mile. Mr Robert Crandall, AMR's chairman, said: "Market conditions were a positive factor for strong earnings. Normally the first quarter is a period of weak traffic and rather broad discounting. This year, we experienced both strong demand and strong revenues." The company acknowledged that its "frequent flyer" programme was one stimulant to traffic. Along with other airlines, it required programme members to travel at least once in the first quarter to qualify for generous year-long bonuses.

Murdoch to sell Boston TV station

By Raymond Snoddy in London

MR RUPERT MURDOCH'S News Corporation announced yesterday it planned to sell its Boston television station WFXL. The decision has been taken despite a recent Court of Appeals ruling overturning the Kennedy-Hollings Amendment prohibiting ownership of television stations and newspapers in the same market. Mr Murdoch owns the Boston Herald newspaper. Following the Court of Appeals ruling, Mr Murdoch would have been free to go to the Federal Communications Commission and ask for a waiver of cross-ownership rules, which would have allowed him to hold both the newspaper and the station. Mr Murdoch decided, however, that the uncertainty surrounding the television station's future was damaging its economic prospects. If a waiver was eventually denied it would have resulted in a forced sale. A spokesman said yesterday that there were potential purchasers for WFXL, but declined to identify them. WFXL is one of seven commercial television stations in the Boston area and comes close to bottom in terms of ratings. In New York, where the same issue was raised, Mr Murdoch came to the opposite decision - to sell the New York Post and keep his television station.

Tandy in challenge to IBM

By Louise Kahoe in San Francisco

TANDY, the major US electronics manufacturer and computer company, has launched a high-performance personal computer that "clones" IBM's Personal System/2 computers, dubbed the "clone killers" at their launch a year ago. Tandy is the first computer company to bring a PS/2 clone to market, although earlier this week Dell Computer, another Texas personal computer company, said that it had developed PS/2 clones that would be available later this year. Ever since IBM's introduction of the PS/2, competitors have been seeking ways to emulate the new IBM computers. Unlike previous IBM personal computers, that are widely cloned, the PS/2 contains proprietary technology creating a barrier to cloning. Recently, however, IBM indicated that it might be willing to license others to use its patented technology in return for royalty payments ranging from 1 to 6 per cent of sales. The computer giant warned, however, that such licenses would not necessarily cover elements of its technology for which copyright applications have been filed. In a statement prepared jointly by Tandy and IBM, Tandy said yesterday that its new personal computer was covered by an existing patent licence agreement with IBM. Tandy went on to say, however, that "IBM has informed us that PS/2 patents to be issued to IBM in the future are not licensed and will be the subject of future licensing negotiations." The new Tandy 5000 incorporates high-speed memory features, advanced graphics and IBM Micro Channel type architecture. Prices range from \$4,999 for a base system without a hard drive to \$6,999 for a system including an 84-megabyte disc drive. The Tandy 5000 will be available in limited quantities to major customers in June, and in volume quantities in the third quarter, Tandy said.

Compaq doubles sales on boom in PC exports

BY OUR SAN FRANCISCO CORRESPONDENT

COMPAQ COMPUTER, the Texas-based personal computer manufacturer riding the wave of a boom in US exports of high-performance personal computers, more than doubled its first-quarter sales and earnings, the company reported yesterday. First-quarter sales were \$438m, more than twice the \$211m sales for the same period last year. Net income for the quarter rose 126 per cent to \$77m or \$1.21 per share, from \$20m or 36 cents in the first quarter of 1987. Compaq's gains mirror those of Apple Computer, which earlier this week reported a 135 per cent increase in earnings, also based largely on increased international sales. Compaq attributed its sales growth to a combination of increasing export sales as well as strong sales of its higher-priced high-performance personal computers. In February, Compaq launched a new high-performance desktop computer which it claims outperforms IBM's latest offerings. Separately, Compaq filed for a new \$200m convertible subordinated debenture offering due 2013 to be underwritten by Morgan Stanley.

Dana revenues hit record

BY OUR NEW YORK STAFF

DANA CORPORATION, the large US automotive components manufacturer, announced a 23 per cent gain in first-quarter revenues based largely on a large rise in foreign orders, assisted by the falling US dollar. Worldwide revenues were a record \$1.23bn, with international sales accounting for 24 per cent of this figure. International sales were 43 per cent up on the year before, Dana said. The company's net income of \$35.1m or 86 cents a share, advanced by about the same margin, although comparison with last year's first quarter was difficult because of a change in accounting for deferred taxes. In 1987, Dana originally reported first-quarter net income of \$31m or 69 cents a share. This income has now been restated as \$34.6m or \$1.03, but the change includes the cumulative effect of deferred tax benefits from all previous years. Mr Gerald Mitchell, Dana's chairman, said he expected second-quarter sales to be comparable to the record first quarter.

Setback for Anglo American

BY JIM JONES IN JOHANNESBURG

RECOVERY from the effects of last August's three-week strike by South African black miners, helped some of the mines managed by the Anglo American group to mitigate the problems of lower rand gold prices in this year's March quarter. Nonetheless, results mirrored those of most other mining houses, with lower pre-tax profits despite an overall increase in gold production. Three of the group's gold production units - Bannard, Ergo and Freegold - have warned of the adverse effect of the Minimum Tax on Companies (MTC) announced in the March budget. Bannard expects to pay an additional \$24m (\$11.2m). Western Deep Levels, whose underground workings were badly damaged by the stoppage, has restored underground ore production to pre-strike levels but was troubled by lower gold grades there. The mine is the world's deepest and workings collapse rapidly if mining halts. Neighbouring Bannard and Ergo, as did Vaal Reefs in the Free State, Freegold increased throughput, but at a reduced gold recovery grade. Its ore production will be augmented in the next few months by the build-up of operations at the Erfell-Dankbecht division.

Anglo American Gold Quarterlies

Table with columns: Gold produced (kg), After-tax profit (Rm), Earnings (cents per share) for Mar 88, Dec 87, Mar 88, Dec 87, Mar 88, Dec 87. Rows include Bannard, Ergo, Freegold, SA Land, Vaal Reefs, W. Deep.

Shipments of ingot were 200,000 tonnes, against 192,000 tonnes a year earlier, and of fabricated products 356,000 tonnes, against 327,000 tonnes. March 31 inventories were down 13 per cent from a year earlier. Our financial staff adds: Reynolds Metals, the US's second-largest aluminium producer, is positioned for a record 1988, with production at nearly capacity. First quarter earnings were a record, he said, at \$70m or \$1.32 a share, up from \$25.5m or 48 cents a year ago, on revenues of \$1.18bn, up 24.6 per cent from \$943.8m a year earlier.

American Express profits rise \$1m

BY JAMES BUCHAN IN NEW YORK

AMERICAN EXPRESS, the diversified financial services group, yesterday reported first-quarter earnings because sluggish profits from investment banking and international lending held back a surge in its celebrated charge card business. The New York-based group reported earnings of \$65m or 62 cents a share, against \$62m in the same period last year. But in last year's quarter, American Express enjoyed tax benefits of \$4m, which gave a

final figure of \$314m or 71 cents a share. Revenues rose strongly from \$4.15bn to \$5.37bn, although two-thirds of the increase came from the acquisition of E.F. Hutton by Shearson Lehman, the big retail brokerage firm. The best performance came in the group's core travel-related services, where earnings rose 18 per cent to \$17m and revenues climbed 17 per cent to \$1.6bn. Charge card business rose a strong 20 per cent to \$20.1bn and sales of travellers' cheques rose 9.9 per cent to \$4.7bn. US Financial Services, which provides insurance, investment products and fund management, enjoyed a 19 per cent increase in earnings to \$31m. But Shearson Lehman, the investment firm which acquired E.F. Hutton in December, reported essentially unchanged earnings. American Express, which sold nearly a third of the company last year, saw its share of these earnings fall from \$78.5m to \$62.8m. American Express Bank, the international lender which is attempting to retreat from its entanglement with Third World borrowers, suffered a fall in profits from \$56m to \$27m. The 1987 figures were flattered by \$19m in tax benefits, but the fall also reflected higher operating expenses expressed in a weaker dollar. New credit provisions mean the bank has now made provisions against 64 per cent of its Third World loans, American Express said.

First-quarter earnings up 15% at Dun & Bradstreet

BY OUR NEW YORK STAFF

DUN & BRADSTREET, the world's biggest business information and market research company, reported net income of \$14m or 70 cents a share in the first quarter, up 15 per cent on last year's \$98m or 65 cents. Operating revenues increased 6.5 per cent to a record \$938m. D&B said it expected double digit revenue growth for the rest of the year from its present wide range of businesses, which include the Nielsen market research and media ratings divisions, Donnelley trade directories and Moody's Investors Service.

Growth in US operations boosts Alcan's profits

BY ROBERT GIBBENS IN MONTREAL

ALCAN ALUMINIUM has followed up its record 1987 results with a very strong first quarter. Net profit rose to US\$175m or \$1.05 a share, from \$71m or 39 cents a share a year earlier. Sales and operating revenues were \$1.9bn, up from \$1.5bn. The North American operations were outstanding and posted a 60 per cent gain in operating earnings. European operations were steady and Brazil satisfactory, Alcan said. Overall, the sharp increase in earnings was due to stable costs in the face of strong international demand and higher prices for semi-fabricated products.

This announcement appears as a matter of record only  
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INTERNATIONAL COMPANIES AND FINANCE

Thai flotation for Oriental Hotel stake

BY PETER UNGPHAKORN IN BANGKOK

SHARES IN Bangkok's Oriental Hotel, regularly voted one of the world's best hotels, are to be made available in Thailand as well as through Hong Kong.

Some 11 per cent of the re-named holding company, Oriental Hotel (Thailand), is being sold by the Italthai group, one of Thailand's largest construction companies, which at present holds a 41 per cent stake. The 3.6m shares are being sold at 125 baht each to raise 450m baht (\$12.2m).

Hong Kong-based Mandarin Oriental Hotels is also effectively reducing its 49 per cent stake to 44.9 per cent. A parcel of shares is being placed internationally by Jardine Fleming at the equivalent of US\$6.30 each.

Dr Chaiyudh Karnasuta's Italthai group has recently made a number of changes to its asset portfolio including the sale of its minority stake in Post Publishing, owner of Thailand's largest

English language newspaper, to Hong Kong investors.

Because it is not a public company, Italthai does not reveal details of its financial position but the company has won a series of important contracts, Bangkok's airport, and heads a short list of contractors for a new deep seaport on Thailand's eastern seaboard.

The Oriental Hotel made a net profit of 138m baht last year and expects at least 194m baht this year. By listing on the Securities Exchange of Thailand, the company can enjoy incentive tax rates as well as raise funds on the capital market. For hotels, foreign ownership cannot exceed 49 per cent.

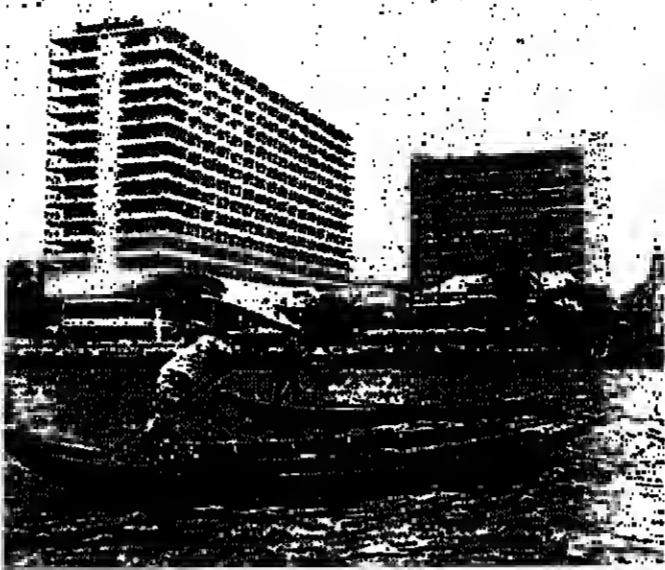
Our financial staff adds: The share offer is being sold at a premium of nearly 5 per cent, which Oriental Hotel said was usual for

foreign purchases in Thai companies. Listing arrangements are due to be completed by June.

Dr Chaiyudh Karnasuta, chairman of the hotel, described the domestic response as overwhelming. According to Italthai and Mandarin, their placing of shares in the Oriental is the first to be carried out for a Thai company simultaneously in local and international markets.

The flotation follows massive demand in Hong Kong last week for shares in C.P. Pokphand, a Thai-controlled agri-industrial group which is gaining a listing in the territory.

● Peninsula Group, part of the rival Hongkong and Shanghai Hotels, has won the operating contract for the Belvedere, a US\$100m development in Beverly Hills which is said to be the California district's first new luxury hotel for 20 years.



Channel Ten to form link with MCA

By Our Sydney Correspondent

MCA, the US film and entertainment group, and Australia's Channel Ten television network are to form a five-year commercial link billed by the two sides as "historic" and "unprecedented."

Mr Frank Lowy, chief of the Westfield group, which controls Channel Ten through its Northern Star Holdings, said MCA would become both an executive supplier of television programmes to Channel Ten and a business partner.

Under the deal, Channel Ten will gain access for 10 years to the output of one of the world's largest producers of television programmes - including series like Miami Vice - and theatrical films. At the same time MCA will be issued with options over 10 per cent of Northern Star equity.

The 25.4m options will entitle the US company to acquire the stake within five years at A\$2.50 per share. This year the shares have traded between A\$1.30 and A\$1.70.

Mr Lowy, who acquired the main stations in the network last year from Mr Rupert Murdoch's News group, said it had previously lacked access to a permanent source of top international programmes.

Now, with its continued local production, its exclusive right to Twentieth Century Fox production and the MCA agreement, he said the network's position had been secured for many years.

Mr Sidney Sheinberg, MCA president, said there would be many opportunities for expanding the new relationship, both with Northern Star and with Westfield.

MCA/Universal produces or distributes 11 current television series on the main US networks. For Channel Ten, access to these will help it compete against Channel Nine (owned by Mr Alan Bond's Bond Media) and Channel Seven (controlled by Mr Christopher Skase's Quintax group).

●MCA yesterday reported a fall in first-quarter net profits to \$26.86m or 37 cents a share from \$28.75m or 38 cents in spite of a tax credit of \$3.9m against a charge of \$11.5m last year and a rise in revenues to \$611.21m from \$633.22m.

Pioneer chief executive steps down

BY CHRIS SHERWELL IN SYDNEY

SIR TRISTAN ANTICO, a giant of Australia's corporate scene, will step down today as chief executive of Pioneer Concrete Services, the building products and resources group.

Mr Des Quirk, deputy chief executive and long-groomed by Sir Tristan as his successor, will take over the position. Mr Quirk, 58, has been with Pioneer for 31 years, 21 of them abroad. Sir Tristan, who turned 65 last month, will continue as group chairman.

Pioneer, which has annual sales of more than A\$5bn (US\$2.25bn), is currently completing a restructuring. This will amalgamate its minerals exploration and production under the 41

per cent-owned Giant Resources and bring its petroleum exploration and production under Ampol Exploration.

In its core businesses, Pioneer will operate two building products divisions and Ampol Ltd, the petroleum refiner and retailer, where it is bidding for the 12 per cent it does not already own.

The group is expected to report record earnings in the current financial year for the 13th consecutive time, and yesterday Sir Tristan said he could "see a lot of further growth."

Of Italian extraction, Sir Tristan started Pioneer in 1949 as a partnership to provide concrete placing and formwork services to

the building industry. The company went public in 1969.

Diversification geographically in the 1960s and into resources in the mid-1970s reduced its dependence both on building products and on the Australian market.

Pioneer is now the largest producer of ready-mixed concrete in Spain and the second largest in the UK. Minerals and energy, meanwhile, account for a fifth of the group's profits.

"An excellent foundation has been laid for the future," Sir Tristan said. "Mr Quirk has a very good management team behind him."

Mr Quirk, the man responsible for Pioneer's European expansion, acknowledged yesterday that Sir Tristan was "a hard act to follow" but said all those who had helped him "are still here."

He went on: "We've got a point to prove. We want to make Pioneer grow in the coming decade at the rate it has managed in the past decade."

The group's biggest expansion in building products would be in the US, while quarrying operations would grow in the UK, West Germany and Australia.

In resources there would be a quantum leap when revenues from the Coronation Hill gold project in the Northern Territory and from oil operations in Papua New Guinea began coming in.



Sir Tristan Antico: "a hard act to follow"

Video tape group to raise S\$16m

ELECTRO MAGNETIC (S), a Singapore company which describes itself as South-East Asia's largest maker of video tapes, is raising S\$16m (US\$8m) through a share issue. Our financial staff writes:

It is building a S\$10m injection moulding plant to produce tape casings which the company plans to supply to JVC and other video cassette groups.

Strong demand boosts results at Kao

BY OUR TOKYO AND FINANCIAL STAFF

KAO, the Japanese cosmetics and soaps maker, yesterday registered an 18.5 per cent boost in pre-tax profits in the year to March thanks to strong demand for its new detergents and cosmetics.

Sales for the year jumped to Y490bn (\$3.94bn) from Y441bn while profits increased to Y80.55bn from Y25.79bn on an unconsolidated basis. The company raised its dividend from Y7.50 to Y8.20 a share.

Severe price competition in

Japan's disposable diaper market dampened revenues for Kao in that segment of the business. None the less, sales of its new detergent, Attack, exceeded Y36bn in its first year on the market.

Further, the company has reaped the benefits of increased production of its cosmetics in Taiwan and Thailand. It is also broadening out of the domestic market by introducing its cosmetics in the US and Europe.

On Wednesday, Kao announced

the purchase from American Brands of Andrew Jorgens, a US producer of lotions, soaps and shampoo. Although the price of the deal was undisclosed, Kao said the Cincinnati, Ohio-based unit had annual sales of \$172m and a workforce of 860.

In the current year, Kao is looking for parent pre-tax profits of Y34bn, an increase of more than 11 per cent, with sales of 6.1 per cent up to Y380bn.

For the group as a whole, which made worldwide sales of

Y514.4bn against Y464.1bn, net earnings emerged at Y13.44bn compared with Y12.91bn. Growth was held back by a Y2.75bn write-off in connection with the sale of its 45 per cent share in Karonte, a joint venture with Chevron Chemical of the US.

On a per-share basis, net earnings fell to Y27.47 from Y22.30, reflecting the issue of bond-related new equity.

This year Kao expects consolidated net earnings of Y15.5bn from turnover of Y545bn.

Notice of Redemption to the Holders of

AMCA International Limited  
(Incorporated under the laws of Canada)  
U.S.\$60,000,000  
Retractable Debentures due 1998  
(the "Debentures")

NOTICE IS HEREBY GIVEN that pursuant to the Terms and Conditions of the Debentures, AMCA has elected to redeem all of the Debentures on June 1st, 1988 at 100 per cent of their principal amount. Interest on the Debentures will cease to accrue from and after the redemption date.

Payment of the redemption proceeds (U.S.\$1,000 per Debenture) will be made against presentation and surrender of the Debentures on Coupon No. FB, and subsequent attached, at any of the Paying Agents mentioned below.

Paying Agents  
Orion Royal Bank Limited  
71 Queen Victoria Street, London EC4V 4DE  
(Principal Paying Agent)

The Royal Bank of Canada AG (Belgium) S.A.  
Guilleminstrasse 85  
8000 Frankfurt/Main 1  
Federal Republic of Germany  
The Royal Bank of Canada (France) S.A.  
3 rue Scribe, 75440 Paris, France  
Banque Generale de Luxembourg S.A.  
27 Avenue Montary  
Luxembourg

Coupons which mature on or prior to the redemption date should be detached and presented for payment in the normal fashion.

DATED: LONDON, 22 APRIL, 1988  
For and on behalf of  
AMCA International Limited by:

ORION ROYAL BANK LIMITED  
A member of The Royal Bank of Canada Group  
PRINCIPAL PAYING AGENT

ALLIANCE LEICESTER

Alliance & Leicester Building Society

£300,000,000  
Floating Rate Notes 1994

Notice is hereby given that the Notes will bear interest at 8.33% per annum for the interest period 21st April, 1988 to 21st July, 1988.

Interest payable on the first interest payment date, 21st July, 1988 will amount to £103.56 per £5,000 Note and £2,071.12 per £100,000 Note.

Agent Bank:  
Morgan Guaranty Trust Company of New York  
London

NEW ISSUE

21st April, 1988

TAISEI CORPORATION

U.S.\$100,000,000

4 1/8 per cent. Notes 1993

with

Warrants

to subscribe for shares of common stock of Taisei Corporation

Issue Price 100 per cent.

The Nikko Securities Co., (Europe) Ltd.

Citicorp Investment Bank Limited	IBJ International Limited
Bank of Yokohama (Europe) S.A.	Banque Indosuez
Baring Brothers & Co., Limited	Daiwa Europe Limited
Robert Fleming & Co. Limited	Mitsubishi Finance International Limited
Morgan Grenfell & Co. Limited	J. Henry Schroder Wagg & Co. Limited
Tokyo Securities Co. (Europe) Limited	

NEW ISSUE

21st April, 1988

TAISEI CORPORATION

U.S.\$200,000,000

3 5/8 per cent. Notes 1992

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Warrants

to subscribe for shares of common stock of Taisei Corporation

Issue Price 100 per cent.

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New Japan Securities Europe Limited	Nippon Kangyo Kakumaru (Europe) Limited
Nomura International Limited	SBCI Swiss Bank Corporation Investment banking
Société Générale	Taiheyo Europe Limited
Thiyo Kobe International Limited	S.G. Warburg Securities
Yasuda Trust Europe Limited	

## INTERNATIONAL CAPITAL MARKETS AND COMPANIES

## Japanese brokers suffer downturn

BY IAN RODGER IN TOKYO

FIVE YEARS of rapid profit growth by Japan's Big Four securities houses came to an end in the six months to March. Parent company pre-tax profits of Nomura, Daiwa, Nikko, and Yamachi fell by 26.4 per cent to a combined ¥468.9bn (\$3.77bn) in the first half of their current financial year.

Combined revenues of the four were down by 14.8 per cent to ¥1,068.7bn, mainly because of a slump in trading volume on the Tokyo Stock Exchange in the wake of the October crash. The steeper decline in profits came partly because commission rates on bond and stock trading in Tokyo were cut.

Nomura, the world's largest securities house, said its brokerage commissions fell 31 per cent to ¥141bn. The slump in broker-

JAPANESE SECURITIES HOUSES				
Parent company results (Ybn), half-year to March 1988	Revenue		Net profit	
	1987	1988	1987	1988
Nomura	404.41	-13.2%	193.71	-20.0%
Daiwa	267.45	-13.8%	117.97	-21.5%
Nikko	224.07	-18.0%	80.53	-30.0%
Yamachi	212.83	-14.2%	78.84	-33.4%
			45.03	-21.9%

age business for the four was offset to some extent by a huge increase in new issue activity, much of it arising from privatisation issues.

The four earned an aggregate ¥30.1bn from the sale in November of 1.9m shares of Nippon Telegraph and Telephone (NTT). The sale by the Japanese government of its shares in Japan Air Lines last November and a series

of rights issues by Japanese banks also helped the underwriting business.

Although the Japanese bond market was dull for much of the period, Nomura and Daiwa made higher profits on bond trading while Nikko and Yamachi recorded profits in this area after heavy losses last year. Yamachi, for example, made a profit of ¥6bn on bond dealing compared

with a loss of ¥17.3bn in the whole of last year.

Nomura and Nikko also managed to make profits on stock trading for their own accounts in spite of the market crash. Nomura's stock trading profits were ¥10.8bn while those of Nikko were ¥1bn. Yamachi, on the other hand, lost ¥8.2bn and Daiwa lost ¥3.4bn.

Nomura pointed out that trading volumes in Japanese stock markets recovered rapidly starting in January "because of investors' appreciation of Japanese economic growth." All four companies are forecasting continued improvement in trading conditions in the second half but they expect the year to end with pre-tax profits between 10 per cent and 20 per cent lower than those of last year.

## Earnings flat at Bouygues

By George Graham in Paris

BOUYGUES, the leading French construction group, has reported flat earnings of FF495m (\$87m) in 1987, in spite of a 17 per cent increase in sales to FF53.4bn.

The group gave no breakdown of its profits, but had earlier announced a sharp cut in losses at its subsidiary Dragages et Travaux Publics to FF3.8m, compared with FF146.8m in 1986, and a return to substantial profits at Sereg, its construction unit, which recorded earnings of FF204m after only FF93m in 1986.

The results include for the first time Bouygues's 25 per cent stake in TFI, France's main television channel, which was privatised last year.

Bouygues predicts flat sales for 1988, with turnover declining in the domestic construction sector to FF23bn, stagnating in overseas construction at FF6.7bn, rising slightly in property activities to FF4.4bn and climbing by 5 per cent in the diversification division, including television, to FF14.6bn.

The company will keep its dividend unchanged at FF27.50, plus tax coupon, and will ask its shareholders in June to approve a capital increase of up to FF1bn. The board said it had no immediate intention of using this authorisation.

## Sandoz to limit shareholdings

BY JOHN WICKS IN ZURICH

SANDOZ, THE Basle chemical group, is to limit to 2 per cent the maximum stake in its registered share capital which can be entered into the company's share register. This follows the announcement of a smaller move by Ciba-Geigy, another of the "big three" Swiss chemical companies.

The general rule, to which exceptions could be made at the board's discretion, would form part of an amendment to Sandoz's statutes and will be proposed at the May 3 shareholders' meeting. A further amendment specifies that applications for registration could be refused "particularly where these could jeopardise the Swiss character of the company or be made by competitors or persons close to competitors."

Entries could also be revoked if they were shown to have been obtained under false pretences. Mr Ulrich Oppliker, executive vice-president, said the amendments were intended to clarify the situation in respect of registered shares. The 2 per cent rule was close to existing guidelines.

Mr Marc Moret, the chairman, said the proposed measures were of a precautionary nature. The company was not threatened by any large scale purchases of its registered stock. Sandoz's voting capital is made up of 1,043,315 registered shares and 158,315 bearer shares, each of FF250 nominal value.

Mr Moret said the company was "convinced" it would further improve its results in calendar 1988. In the first quarter, sales

had risen faster than had been expected to SF2.5bn (\$1.5bn), or 4 per cent more than for the corresponding period of last year.

The company has already announced that group sales rose 7 per cent last year to a record SF2.93bn and profits by 18 per cent to SF262m.

The parent company will propose an increase in dividends to SF100 from SF108 to SF110 per share and from SF12 to SF12.2 per participation certificate.

Mr Oppliker said damage payments in respect of the November, 1986, fire at the Sandoz plant in Schweizerhalle, which resulted in large-scale pollution of the Rhine, had amounted to SF85m, of which some 85 per cent had already been made.

The Gulf Canada financing is a so-called puttable note insurance facility, with an eight-year final maturity. It is a structure which avoids payment of Canadian withholding tax, allowing the borrower to issue five-year floating-rate notes, which the investor can put back to a group of banks at every six-monthly interest payment date.

The financing, led by Bank of America, carries a 10 basis point margin over London interbank offered rates of 15 basis points. Front-end fees range down from 5 basis points for a \$25m commitment.

Bank of America is also arranging a \$200m revolvers, multi-option facility for Southern California Edison, the second largest electrical utility in the US, and is expected to launch two further deals shortly.

Manufacturers Hanover is arranging a DM120m, five-year credit for the Electricity Supply Board, the Irish state electricity utility. The financing, which involves the borrower's first unsecured syndicated loan, allows it to borrow at rates substantially below Libor.

County NatWest is arranging a £50m revolving credit for Storebrand Finans Mortgages, the UK mortgage subsidiary of Norway's largest financial institution, the financing is month maturity, a 7.5 basis point commitment fee, and a margin of 18 1/2 basis points.

Rijswijk, a £350m multi-option facility for Pilkington, the UK glass maker, has been raised to £500m, while Rothschild has completed financing of £180m for John Lewis, the store group. The financing, which involves the borrower's first unsecured syndicated loan, allows it to borrow at rates substantially below Libor.

In the Eurocommercial paper market, Den Danske Bank established a \$600m programme with CSFB and Merrill Lynch as dealers, while a programme for Panasonic, guaranteed by Mitsubishi-Kasei of Japan, was doubled to \$300m.

## Medium term notes launched for Wheat Board

By Stephen Fidler, Euromarkets Correspondent

A STRING of financings was launched yesterday in the international markets yesterday, including a \$600m programme in the emerging medium-term note market for the Australian Wheat Board and a \$325m note facility for Gulf Canada.

The Wheat Board will be able to issue notes either in the US or in the international markets. It has appointed as lead arranger First Boston for the US and Merrill Lynch, Morgan Stanley and Shearson Lehman Hutton.

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## First-quarter improvement for ITT

By Our New York Staff

ITT, THE big US conglomerate which is entering its third year of recovery, has reported a 20 per cent improvement in first-quarter net income on the strength of good results in insurance, automotive products and timber.

The New York-based group, which has enjoyed sharply higher returns as it has thinned out its businesses, said earnings were \$182m or \$1.25 a share in the quarter, compared with a restated \$98m or 60 cents a share in the same period of 1987.

But the 1987 figures were reduced by a special charge of \$27m or 44 cents a share to reflect accounting changes. Without the special charge, earnings per share were up 20 per cent.

The results were further compounded by tax benefits at The Hartford, ITT's insurance subsidiary. These were \$28m or 17 cents in the 1987 first quarter and \$12m or 8 cents a share in the most recent quarter.

The group, which has sold over \$3bn in companies since Mr Rand Araskog became chairman in 1980, said that sales revenues rose 10 per cent to \$3bn.

"It is reasonable to expect improved results in each of our business segments for the full year," Mr Araskog said. The Hartford, which earned higher investment income on strong premium rates, led a significant improvement in the core financial services subsidiaries. Also recording strong gains were the pulp and timber operations and the industrial products division, led by automotive.

Alcatel, which holds the remainder of ITT's traditional telecommunications business, made an important contribution to the first-quarter results, said ITT.

## Three further issues in Eurosterling sector

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

THE WEEK'S extraordinary burst of new bond issuing activity continued apace yesterday, even though some of the currency sectors of the market appeared to be getting saturated.

Three new issues in the Eurosterling market - for Hydro Quebec, Repsol SA and Societe Nationale des Chemins de Fer - met a tougher reception than Austria's earlier in the week, underlining the desire of investors for only the best of the top quality names. A further feature of yesterday's business was the launch of five new equity-warrant dollar bonds for Japanese borrowers totalling \$200m.

"We're picking and choosing now," said one syndicate manager as one of the Eurosterling market's busiest weeks for a long time drew to a close. This week's issues in many sectors are expected to take a long time to absorb but were brought because of attractive opportunities and demand for swaps.

In the sterling market, Hydro Quebec appeared to be marginally the market's pick with its £100m Eurosterling issue, overtopping Societe Nationale des Chemins de Fer, both of which came later in the afternoon.

While sterling was strong yesterday on the foreign exchange market, the gilt-edged market was buffeted by the strong increase reported in bank lending - which, in turn, buoyed the pound. Nevertheless, the gilt market held up quite well.

Eurosterling spreads over gilts have narrowed considerably on lack of supply of new paper. But the spreads returned yesterday on a major Eurosterling issue.

Bank of America is also arranging a \$200m revolvers, multi-option facility for Southern California Edison, the second largest electrical utility in the US, and is expected to launch two further deals shortly.

Manufacturers Hanover is arranging a DM120m, five-year credit for the Electricity Supply Board, the Irish state electricity utility. The financing, which involves the borrower's first unsecured syndicated loan, allows it to borrow at rates substantially below Libor.

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But the 1987 figures were reduced by a special charge of \$27m or 44 cents a share to reflect accounting changes. Without the special charge, earnings per share were up 20 per cent.

The results were further compounded by tax benefits at The Hartford, ITT's insurance subsidiary. These were \$28m or 17 cents in the 1987 first quarter and \$12m or 8 cents a share in the most recent quarter.

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Alcatel, which holds the remainder of ITT's traditional telecommunications business, made an important contribution to the first-quarter results, said ITT.

Both deals were being bid by lead managers at discounts equal to their fees. Though widely distorted by the Triple A ratings and quasi-sovereign status, SNCF's was viewed as aggressively priced.

PepsiCo's \$60m five-year deal, brought by County NatWest with a 9 per cent coupon and 10 1/2 per cent price, had a 25 basis point margin over gilts and was also seen as aggressively priced. It was bid marginally inside the fees.

Some syndicate managers say they doubt that much of the paper issued so far this week is starting as in other sectors - has yet been firmly placed, especially given that a number of deals appear to be depending on the emergence of Swiss retail demand. This takes time because banks must first place bonds on their weekly buy lists.

The three short-dated dollar issues on Wednesday have seen Middle Eastern demand, but the jury appears to be still out elsewhere. Dollar bond prices showed no clear trend, especially in the equity-linked dollar sector where identical terms: five-year maturities and indicated coupons of 4 1/2 per cent. Though they were clearly a lot to digest in one day, there appeared to be no extreme nervousness indicated.

The quietest period currently being seen on the Tokyo stock market.

The largest at \$150m was for Nichimen, a general trading company, led by Daiwa Europe. It was priced at 102 1/2 per cent, with bid at par. Restaurant Seibu's \$120m issue was led by Nippon Kangyo Kakumaru and was bid at 102. Nomura International led a \$100m issue for Daicel Chemical Industries, bid at 104, and a \$80m issue for Nippon Paper Industries, bid at 101 1/2. Urban, a clothing company, made a \$70m

issue led by Nikko Securities and bid at 102.

The overcrowded Australian dollar sector saw a \$650m seven-year issue for the Australian Trade Commission, which benefited from the scarcity value of its longer maturity by comparison with most other recent deals. ANZ Merchant Bank led the deal which was priced at 101 1/2 with a 12 1/2 per cent coupon and was bid inside its fees.

The lira, like the pound and the Australian dollar, has benefited from currency flows and investors' concern about the dollar. A subsidiary of Sumitomo Bank sought to capitalise on this with a 1.75bn issue led by Banco di Roma with a five-year maturity, 11 1/2 per cent coupon and 101 pricing.

In Canadian dollars, Svenska Handelsbanken made a C\$80m three-year issue, led by Commerzbank and carrying a 10 per cent coupon and 10 1/2 pricing.

Swiss Bank Corporation's West German subsidiary led a DM500m issue with currency warrants for International Finance, a subsidiary of the German hair care products group. The seven-year deal was priced at 101 with a 5 1/2 per cent coupon. D-Mark bond prices lost small earlier gains.

In Switzerland, Kysan Electric made a SF750m issue of bonds with equity warrants, led by Wirschafts- und Privatbank. The five-year deal has an indicated coupon of 1 1/2 and par pricing. Swiss franc foreign bonds saw small gains in recent issues but were otherwise little changed.

LTCB International led a ¥10bn issue for Hovedstadssjones Naturgas, which will not be syndicated. It has a five-year maturity, 7 per cent coupon and 10 1/2 pricing, with put and call options after three years when redemption linked to Japanese government bond futures.

In equity-linked bonds, Compagnie du Midi's two-tranche convertible was priced at 100, the conversion price below the current share price and increased to £275m and £803m. Weingarten Realty's issue was reduced to \$60m from \$75m.

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## CBOE seeks further staff cuts

BY DEBORAH HARGREAVES IN CHICAGO

STILL SMARTING from the effects of the stock market crash, the Chicago Board Options Exchange is offering a voluntary severance plan to its staff. The plan comes on top of the exchange's move to cut 90 jobs in January.

The exchange's 1,000 employees have until Monday to sign up for the plan and register for benefits, including one month's pay for each year of service, up to six months.

The CBOE will not say how many jobs it is planning to cut with this measure, but it is understood to be considering further staff reductions if the voluntary plan does not meet its objective. "Anyone can sign up for it," an exchange official said, "but that doesn't mean they will be accepted."

After seeing volume in the Standard & Poor's 100 stock index option, its bellwether product, cut in half by the stock market crash, the CBOE has introduced a broad cost-cutting programme.

By trimming \$15m from its \$55m 1988 budget, the exchange says it can break even on an overall volume of 400,000 contracts a day. In March, it just passed that figure with 427,000 a day, down from a daily average of near 850,000 before the crash.

The exchange says the severance plan is targeted at "borderline" employees and those who were thinking of leaving anyway. The CBOE has also cut spending on its marketing programmes and employee bonuses.

Rijswijk, a £350m multi-option facility for Pilkington, the UK glass maker, has been raised to £500m, while Rothschild has completed financing of £180m for John Lewis, the store group. The financing, which involves the borrower's first unsecured syndicated loan, allows it to borrow at rates substantially below Libor.

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The results were further compounded by tax benefits at The Hartford, ITT's insurance subsidiary. These were \$28m or 17 cents in the 1987 first quarter and \$12m or 8 cents a share in the most recent quarter.

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## Volvo Car Corporation

## THE VOLVO MILITARY FINANCE PLAN

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## FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

USD \$ MILLION	STRATEGIST	Maturity	Rate	Yield	Change	Yield	Closing prices on April 21	
							Bid	Offer
100	Alcatel 8 1/2% 97	10/15/97	8 1/2%	103 1/4	+0.1	103 1/4	103 1/4	
100	Alcatel 8 1/2% 97	10/15/97	8 1/2%	103 1/4	+0.1	103 1/4	103 1	

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This is neither an offer to buy or sell or exchange nor a solicitation of an offer to buy or sell or exchange any security. THESE NOTICES ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt about how you should act, you should consult your Stockbroker, Bank Manager, Solicitor, Accountant or other professional adviser immediately.



DOME PETROLEUM LIMITED

(Incorporated in Canada with limited liability)

Notices of Meetings of the Holders of the Outstanding Principal Amounts of

U.S.\$75,000,000 Floating Rate Notes due 1988

U.S.\$50,000,000 Floating Rate Notes due 1989

U.S.\$3,130,000 16 1/2% Fixed Rate Notes due 1989

U.S.\$50,000,000 10% Debentures Due 1994

U.S.\$50,000,000 13 1/2% Debentures Due 1992

to be held on Tuesday, 24th May, 1988.

Meetings ("Meetings") of the holders ("Holders") of the U.S.\$75,000,000 Floating Rate Notes due 1988 ("1988 Notes"), the U.S.\$50,000,000 Floating Rate Notes due 1989 ("1989 Notes"), the U.S.\$3,130,000 16 1/2% Fixed Rate Notes due 1989 ("1989 Notes"), the U.S.\$50,000,000 10% Debentures Due 1994 ("1994 Debentures") and the U.S.\$50,000,000 13 1/2% Debentures Due 1992 ("1992 Debentures") of Dome Petroleum Limited ("Dome") will be held at The Cornwall Rooms, 61-65 Great Queen Street, London WC2 on Tuesday, 24th May, 1988. The Meetings are called to consider Extraordinary Resolutions...

By way of background, in October, 1986, Dome obtained waivers of payments due to the holders of its public unsecured debt, including the Holders, all of which have terminated in accordance with their terms. The waivers were part of a short term action to Dome's financial difficulties while a plan (the "Debt Restructuring Plan") was being developed...

The Plan of Arrangement must receive the approval of the Court. The Court will conduct a hearing commencing on 13th June, 1988, to determine, among other things, whether the Plan of Arrangement is fair to all creditors and shareholders of Dome. Any interested Holders may attend the hearing and be heard, if they have filed and served notice of their intention to appear...

In April, 1987, after analysis of information provided by Dome, Amoco Canada, TransCanada Pipelines Limited and Imperial Oil Limited each submitted acquisition proposals to Dome. The proposal by Amoco Canada was selected by Dome as being superior to the other two proposals for both creditors and shareholders of Dome.

If the Plan of Arrangement is consummated, Holders of the Notes and Debentures and matured coupons with respect to the Notes and Debentures will have the right to receive the cash payments from Amoco Canada described above, and more particularly described in the Information Circular referred to below. The date of the Plan of Arrangement is subject to certain exceptional circumstances and approval of the Plan of Arrangement even though the requisite level of approval has not been obtained from the Holders.

For the attention of holders of the U.S.\$75,000,000 Floating Rate Notes due 1988 of Dome Petroleum Limited

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NOTICE IS HEREBY GIVEN that a meeting ("Meeting") of the holders of notes of the "Notes" comprising the outstanding principal amount of U.S.\$75,000,000 Floating Rate Notes due 1988 ("1988 Notes") of Dome Petroleum Limited ("Dome") will be held at The Cornwall Rooms, 61-65 Great Queen Street, London WC2 on Tuesday, 24th May, 1988...

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The Meeting is convened by Dome Petroleum Limited. The meeting will be held at The Cornwall Rooms, 61-65 Great Queen Street, London WC2 on Tuesday, 24th May, 1988 at 10.00 a.m. (local time).

Holders entitled to attend and vote at the Meetings may either attend in person with their Notes or Debentures or obtain title to their respective Voting Agent's voting certificates in respect of their Notes or Debentures deposited with such Voting Agent. The voting certificate will specify the Meeting (or any adjournment thereof) at which the holder is entitled to attend and vote in respect of the Notes (or Debentures) represented by such voting certificate.

Copies of the Information Circular may be obtained, as from 24th May, 1988, from Dome at 6000 Dome Tower, 200-7th Avenue S.W., Calgary, Alberta, Canada and the Paying Agents. The Proxy Statement delivered to Dome shareholders (the "Proxy Statement") and the Plan of Arrangement may be obtained from the offices of Dome at 6000 Dome Tower, 200-7th Avenue S.W., Calgary, Alberta, Canada or from the Paying Agents.

A SUBSEQUENT NOTICE WILL BE PUBLISHED BY DOME TO NOTIFY HOLDERS OF WHETHER OR NOT THE PLAN OF ARRANGEMENT HAS BEEN APPROVED BY THE COURT AND BECOME EFFECTIVE AND, IF APPROPRIATE, THE PROCEDURE WHEREBY THE PAYMENT BY AMOCO CANADA WILL BE MADE.

UK COMPANY NEWS

CITY UPGRADES CURRENT YEAR FORECAST TO AT LEAST £130m

Inchcape soars £30m despite currency trends

BY DAVID WALLER

Inchcape has shrugged off the adverse effects of currencies on its vast array of businesses to report a \$20.1m surge in pre-tax profits for 1987.

The result was regarded as a vindication of the efforts of Mr George Turnbull, appointed chairman in January 1986, to turn the company into an international services and marketing organisation.



George Turnbull - his change of direction vindicated

Pre-tax profits from insurance services rose from £11.1m to £13.2m, despite a disappointing second half. Clapham Fackle - bought in December 1986 for \$63m - is still being integrated with Ben Davies and made no contribution to profits last year, as expected.

Restructured Kalamazoo back in the black

Kalamazoo, business systems and services group, reported a strong return to the black for the six months to January 31 1988. Compared to a loss of \$276,000 last time, the taxable profit came out at \$284,000.

Tourists help boost Liberty profit to £5.7m

BY PHILIP COGGAN

THE RETURN of tourists to London after the terrorist scare of 1986 helped Liberty, the textile retailer and wholesaler, to increase pre-tax profits from £3.9m to £5.7m last year.

The best performing division was converting and wholesaling which improved profits from £1.57m to £3.78m, thanks to increases in both volumes and margins and a new licence agreement with WestPoint Papermill in the US.

UK retailing also did well, improving profits from £2.17m to £2.88m as the tourists returned. The group also benefited from a rates rebate of £90,000 on its Regent Street properties which was recorded as an exceptional credit.

After tax of £2.6m (£1.6m), earnings per share were 53.3p (38.2p). The final dividend for the year is 10.6p (9p).

Suter stake raised

Suter, industrial conglomerate, has lifted its stake in Metal Closures, containers group, to 6.7m shares representing 25.12 per cent of the equity.

Whatman Reeve rises to £7.9m

Despite the weakening of the dollar - the US being its major market - Whatman Reeve Angel lifted its pre-tax profit from £2.7m to £7.9m in 1987.

International division had another good year. Improved manufacturing efficiency was again achieved, notably by some of the operations in the US.

Johnston Press joins SE after 221 years

A MERE 221 years after its foundation, Johnston Press, a local newspaper publisher and printer, is joining the stock market.

AAH sells Focus

AAH Holdings, distribution group, has sold Focus Home-centres, DIY retailing operation, to Choice DIY for £2.2m in cash.

Clogau buys gold interests in Australia

By Mike Tait

Clogau Gold Mines, one-time Welsh gold-mining company which came to the Unlisted Securities Market in 1984, is going west with the acquisition of gold interests centred on Kalgoorlie in Western Australia.

Defence subsidiary forces Ropner down to £4.13m

BY DAVID WALLER

A DRAMATIC downturn in the profitability of the defence subsidiary helped depress pre-tax profits at Ropner, the mini-comglomerate, by £1.8m to £4.13m last year.

Staley rejects Tate bid and starts talks with third parties

BY CLAY HARRIS

Staley Continental, the US corn syrup and food distribution group, yesterday rejected the \$1.88bn (£708m) takeover bid from UK sugar refiner Tate & Lyle.

In addition to a "white knight" sale, these included restructuring or recapitalisation, sale of equity or other securities to a third party, creation of a joint venture or a leveraged buy-out.

P&P in move to main market

By Philip Coggan

P&P, a microcomputer distribution company, has announced details of its flotation on the main market.

Herring Son and Daw surveys market debut

BY PAUL CHEESBROUGH, PROPERTY CORRESPONDENT

Herring Son and Daw aims next month to become the fifth chartered surveyor to take a full listing on the stock market since the market crash last October.

Broadcast sees £128,000 rise

Broadcast Communications saw pre-tax profits improve from £22,000 to £128,000 in the six months to end-December 1987.

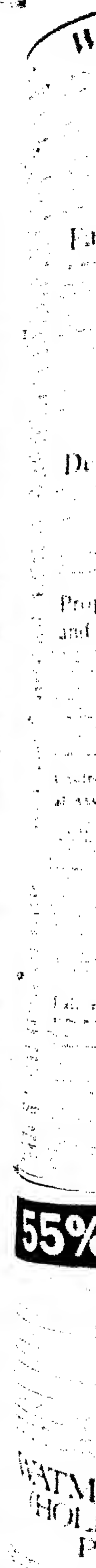
Cradley up midway

Cradley Print, lithographic printer, lifted its pre-tax profit from £253,000 to £311,000 in the half year ended December 31 1987 on sales up 23 per cent to £5.94m.

Advertisement for Austin Reed featuring a large image of a man in a suit and the slogan 'Our business is looking good.' Includes a small table of share prices.

Table titled 'DIVIDENDS ANNOUNCED' listing various companies, their current and proposed dividends, and dates of payment.

Advertisement for IE2 (International Equity) featuring the slogan 'Are your company's shares properly valued?' and '55%'.



# UK COMPANY NEWS

## Jacques Vert moves up 29% to end at £4m

**By Alice Rawshorn**

Jacques Vert, the USM-quoted womenswear manufacturer which is expanding rapidly into retailing, yesterday unveiled a 29 per cent increase in pre-tax profits to £4m in its last financial year.

The group's sales rose even faster to £23.4m (£16.1m) in the year to January 19 1988. But the scale of investment in the expansion of the company's retail activities, strengthening of the management team and the cost of new warehousing facilities took their toll on profit margins.

Mr Alan Green, joint chairman, said that the group was investing in the future, by building up its infrastructure "for the next phase of growth".

Earnings per share increased to 28.1p (21.9p) and the board proposed to increase the final and total dividend to 8.5p (7p).

Within the UK, sales rose to £20.7m (£14.7m) reflecting the growth of wholesaling activities as well as the expansion of retailing. During the year Jacques Vert added three new shops to its established chain of 11 units. Retail sales included in the UK total - rose to £2.6m (£1.6m). Mr Green plans to open seven more shops by the end of this financial year.

He said that the retail chain would continue to expand, but that the group would only open in sites which would not compete directly with its established, efficient wholesale customers.

Over the past two years Jacques Vert has built up its business overseas. Export sales more than doubled to £2.9m (£1.4m) last year, as a result of growth in the US and Europe. Mr Green said that, although the strength of sterling may make exporting to the US more difficult, it has not affected overseas sales so far.

The group's production plants are operating at full capacity and it is currently considering expansion. Mr Green is deciding whether or not to replace some of the older equipment.

He said that the all three factories are now "fully booked up" to meet demand for the present year and that the retail chain is also showing sales growth.

**Comment**

In theory Jacques Vert's share price should be in the doldrums. It is after all a member of two of the worst performing sectors in the wake of the market crash: textiles and small companies. Yet the company has clinched the double coup of outperforming not only both its sectors, but the rest of the stock market too. In the past Jacques Vert has earned its premium with a formula of tight cost control and efficient production. For the future it waxes confidently about the scope for organic growth within the home market, and cheerfully dismisses its overseas sales as "too small" to warrant time-wasting about exchange rates. Jacques Vert should muster 25.5m this year and a prospective p/e of 9½. Undemanding.

## Woodington suspends

Trading of shares in JH Woodington, women's footwear company, were suspended yesterday pending the issue of a circular to shareholders.

## Wm Low climbs 33% to £4.57m

**By Patrick Daniel**

William Low, the Dundee-based supermarket group, lifted its operating profit for the six months ending March 19 by 38 per cent to £5.22m - well ahead of City expectations. This was achieved on turnover up from £33.1m to £38.84m.

After an interest charge of £1.05m, pre-tax profit was £4.57m, up 38 per cent from £3.44m.

The results follow a one percentage point improvement in its trading margins to 4.1 per cent, as the group, one of two remaining independent food retailers in Britain, shifted its business to larger full-facility stores.

Turnover in volume terms, after adjusting for price inflation and the sale of its Lowfives business, was up 10.5 per cent, of which 9 per cent came from newly opened stores.

The group has proposed an interim dividend of 5.5p (5p).

Earnings per share were 24.5p, up from 18.4p.

The company said its store expansion programme was "in high gear" with four openings since last September.

Another 120,000 sq ft of new selling space will be added before the end of the year, making a total of 700,000 sq ft.

While this pace of development raised bank borrowings at the close of its half-year accounts,

proceeds from its recent issue of 32.66m 11 convertible preference shares have brought its gearing down from 85 per cent to below 5 per cent.

Mr Christopher Blake, chairman, said this created "a desirable flexibility for future investment plans".

The company's ordinary shares rose 20p yesterday to close at 56p. Its convertible preference shares closed at 113p, up 5p.

## Pearson in pension fund manoeuvre

Pearson, the publishing, banking and information conglomerate which owns the Financial Times, plans to merge the pension funds of about a dozen subsidiaries into a new independent fund which would have considerable protection against a predator making a successful bid for the group.

The move comes at a time when Pearson is surrounded by considerable bid speculation, following the build-up of a 20.5 per cent stake in the group by News Corporation, the media business headed by Rupert Murdoch.

As part of the package, the Financial Times also announced yesterday that it would make contributions to the pensions of employees who opted out of the Pearson scheme under the Government's portable pension legislation. This move is believed to be highly unusual. Only one or two other companies are thought to have announced they will be contributing to personal pension plans on the same scale.

## Farmers wins bid hearing delay

**By Nick Bunker**

Farmers Group, the US insurer, has won a postponement of a key regulatory hearing in Los Angeles over the hostile £4.5bn (£2.6bn) bid for the company by BAT Industries, the UK tobacco, retailing, paper and financial services group.

A California Superior Court judge has ordered the state's insurance commissioner to reschedule the start of the hearing from May 4 to May 23, Farmers said yesterday.

This represents a small tactical victory for Farmers, since it

means BAT cannot receive formal approval for its bid from the state before Farmers Group's annual stockholders' meeting on May 20.

Under local law, the commissioner has to approve BAT's plan to take over the company. After ordering the rescheduling of the hearing, Judge Miriam Vogel ruled on Wednesday that the commissioner must issue a ruling on the bid two weeks after the hearing ends.

According to Farmers, Judge Vogel gave as one reason for the

postponement, evidence indicating that there were what Farmers called "fundamental gaps" in BAT's original Form A, the principal document which companies have to file with state insurance regulators when they apply to take over a locally-domiciled insurer.

BATUS, BAT's main US subsidiary, said yesterday it was pleased that Judge Vogel's order assured a decision early in June "which we expect to be favourable to BATUS."

## Savage issue to raise £15m

**By Michael Smith**

Savage Group, DIY and hardware company, yesterday announced plans to raise £15m through the issue of convertible preference shares. About half of the money will be used to fund two French deals.

Savage is paying £5.4m for Habitat, a homecare products specialist, and £1m for a 20 per cent stake in Triplex, distributor of power tool accessories.

The rest of the proceeds of the placing and open offer of the convertible shares will be used to reduce gearing to about 60 per cent.

In 1986 Habitat made pre-tax profits of £1.5m on sales of £42m. Triplex made £400,000 on sales of £10.1m.

Savage has the option to buy the rest of Triplex over a seven-year period.

Mr David Brown, Savage chief executive, said yesterday there was significant scope to increase sales of Triplex and Habitat product ranges outside France.

Habitat's distribution network would also provide Savage with the opportunity to increase sales of its existing products in France.

## Deadlock broken at Unichem

MR JOHN NEWBOULD, a chemist from Macarthy, has broken a deadlock in the case of Unichem, the co-operative of independent chemists currently subject to an unwelcome takeover bid from Macarthy, the listed healthcare group.

Mr Newbould has assembled the necessary support of over 500

shareholders in Unichem for an extraordinary meeting at which he would be considered whether Unichem should turn itself into a public company now or in 1990 as planned.

Mr Peter Dodd, chief executive of Unichem, dismissed Mr Newbould as a "plant" of one of his wholesale chemist competitors -

but conceded that once a valid requisition for the meeting had been received, he would have to send out notice of the EGM within 10 days.

Macarthy, which is also believed to have won the support of 10 per cent of Unichem members for an EGM, has so far not declared its hand. A spokesman said yesterday that the latest development would bring pressure on Mr Dodd to agree to a takeover - but Mr Dodd said yesterday that he would only be prepared to meet Macarthy if the terms of its offer were "substantially" improved.

## Propeller tops £0.4m and orders well ahead

Propeller, men's leisure and casual wear group floated on the Third Market last November, produced turnover of £8.04m and pre-tax profits of £450,000 in the year ended January 31 1988.

Of the figures, £2.83m and £156,000 respectively were earned in the first seven months when the company was still controlled by Corton Beach. The profit of £261,000 made in the remaining

five months exceeded the group's forecast of not less than £245,000.

Mr Mike Keen, chairman, said the current year had started well with orders substantially ahead. Trading would benefit from a full year's contribution from the sweatshirts and T-shirts division, which had been completely integrated. Knitwear was being introduced and profits would come into the second half.

## Control changes at Assoc Energy

MANAGEMENT control at Associated Energy Services, the USM-quoted boiler maintenance contractor and catering equipment group, has passed to Cleveler Investments.

Cleveler bought a 14.9 per cent stake in the group including shares owned by chairman, Mr Maurice Fullerton, the "company doctor" who moved into AES at the end of 1985. Mr Fullerton has pulled the company out of the red but it still remains weighed down by borrowings.

Mr Leonard Lee, Cleveler managing director, will become AES chairman.

## Viking Resources

Viking Resources Trust net asset value per share fell by 6.5 per cent from 63.5p to 59.5p for the year to March 31 1988 as total investments dropped from £38.01m to £28.53m.

The company said it is 18 months since a strategy of investment in oil and gas reserves through share purchases and property purchases was initiated. But hedging investment in UK gilt-edged securities had "stood the company in good stead", and Viking had £4.8m available for investment.

A final dividend of 1.45p makes a total of 5p (5p).

## Falcon reconstruction delayed

THE capital reconstruction of Falcon Resources, oil company, will have to await the conclusion of bankruptcy court hearings in Houston, Texas. Mr Jonathan Rosen and Mr Oliver Jessel, who recently took management control, are hoping to wind up FAE, the company which was operating the group's oil and gas fields in the US.

FAE is one-third owned by a subsidiary of Falcon. The other two-thirds are owned by companies controlled by former chair-

man Mr Ronnie Monk and Mr Bill Andran. Mr Monk is still on the board and is locked in dispute with Mr Rosen and Mr Jessel.

That means that shareholders are still facing a long wait before they see the resumption of dealings in the shares, which were suspended in October 1985.

When the case is settled, Mr Rosen and Mr Jessel hope to inject new capital into Falcon and re-list via the establishment of a new holding company, Louisiana Interests.

## COMMERZBANK

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### Healthy earnings performance in 1987 - Dividend maintained

Commerzbank succeeded in posting impressive results in a difficult 1987, which saw both the Bank's business volume and market share - domestic as well as international - grow, reflecting its inherent strength and resilience. Earnings for both the Parent Bank and the Group continued strong, but did not quite match their 1986 record levels - largely due to adverse conditions in the securities markets. Commercial banking activities re-

mained brisk, though, with aggregate lending expanding considerably, especially at the longer end.

The Group's equity base was reinforced yet again, and has now reached over DM 5 billion. Investments in staff and banking technology were once more stepped up. The year's good results have enabled Commerzbank to maintain a dividend of DM 9 per DM 50 nominal share.

In line with one of its major strategic goals for the 1980s, Commerzbank has further extended its international investment banking capacity. In Tokyo, Commerz Securities (Japan) Co. Ltd. was opened in mid-1987. In New York, Commerzbank Capital Markets Corporation started operations this March. Shortly before, the Geneva branch of the Bank's Zurich subsidiary, Commerzbank (Switzerland) Ltd, was established. Another subsidiary, Commerz International Capital Management GmbH, was formed in Frankfurt to provide multicurrency asset manage-

ment services to international institutional investors.

Also backed by its extensive German-based facilities and the securities-related activities of its London, Luxembourg and Singapore outlets, Commerzbank is now well positioned to offer high-quality investment banking services in the world's major markets.

Figures for the early months of 1988 point to another successful year, the results of which Commerzbank expects to compare favorably with those achieved in 1987.

For further information, please contact: Commerzbank AG, PR Dept. (ZVK) PO. Box 1005 05, D-6000 Frankfurt 1, West Germany Phone: (69) 13 62-1, Telex: 415 253 76



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**55% PROFIT GROWTH**

RESULTS for the year ended 31 December

	1987	1986	INCREASE
Profit before tax	£4.81m	£3.11m	55%
Group turnover	£53.91m	£41.12m	31%
Earnings per share	26.85p	18.90p	42%
Dividends	8.25p	6.50p	27%
Bonus share issue	One for five		

Prospects for 1988 Excellent opportunities for further expansion. Profits will advance substantially in our centenary year.

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UK COMPANY NEWS

Brixton Estate

International investors in commercial property ANNUAL RESULTS 1987

Table with 3 columns: Metric (Net Rental Income, Profit before Taxation, Earnings per Share, Value of Investment Properties, Net Asset Value), 1987 (£'000), 1986 (£'000)

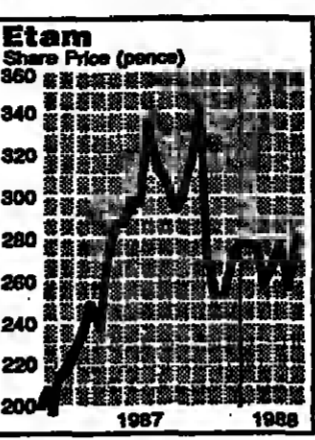
- 11.2% increase in net rental income. 22.7% increase in profit before tax. 34.2% increase in net asset value. Final dividend of 4.80p per Ordinary Share proposed...

The above figures constitute an abridged version of the year's results. The full accounts which will be posted to shareholders on 20th May 1988 have not yet been reported on by the Auditors...



All-round growth helps Etam to £17.9m

By Maggie Urry
INTERNAL GROWTH and acquisitions boosted annual pre-tax profits of Etam, clothing retailer, by 46 per cent to £17.9m.



from volume growth in existing stores, 9 per cent from new stores and 1 per cent reflecting price increases.

Mr Drake said that in the first 11 weeks of the current year sales were running ahead by roughly the same amount.

By the year end the group had 175 stores with total sales area of 473,000 sq ft, a rise of 40.5 per cent.

Capital expenditure totalled £14.8m, with the two acquisitions costing £11.5m. A share placing last August raised £33.6m and left the group with net cash of £30.8m.

Net interest receivable rose to £1.1m (£202,000). Earnings per share rose almost 33 per cent to 18.9p. A final dividend of 4.45p is recommended to give a total of 6p (4.7p).

comment

Etam's good figures were not unexpected, and owe something to comparison with a difficult period the year before. Nevertheless, the group has done well to increase sales by so much when other women's clothing retailers have been suffering...

Lyonnaisse acquires 12.5% of East Worcs Water

BY ANDREW HILL

Lyonnaisse des Eaux, the last of the big three French water suppliers to announce investments in the UK's statutory water companies, yesterday said it had acquired 12.5 per cent of East Worcestershire Waterworks Company.

Earlier, East Worcestershire asked for its shares to be suspended pending an announcement from the Takeover Panel. The statutory company is the subject of an agreed bid from Bicester, a private water contractor, and the panel is thought to be investigating a possible breach of rule 8 of the Takeover Code by Lyonnaisse and its advisers, Bankers Trust International.

In the past, companies have had to give up shares acquired in breach of the code.

Mr Alan Booker, chief executive of the statutory company and head of the management group of an agreed bid from Bicester, a private water contractor, through which Bicester is making the bid - said he had not spoken to Lyonnaisse about their intentions.

"We will have to think out very far ahead very carefully. It will be slightly uncomfortable if they retain their holding," he said yesterday.

Bicester and East Worcestershire had hoped to pool their expertise and develop business opportunities in the UK and overseas. Such an arrangement could be compromised by the presence of a large shareholder also active in the water business, especially since East Worcestershire, unlike some statutory companies, does not limit the voting rights of its shareholders.

Rule 8 of the Takeover Code specifies that anyone owning or dealing in 1 per cent or more of a company involved in a bid should declare any such dealings before 12 noon on the business day following the transaction.

Bankers Trust notified the Stock Exchange yesterday of two major purchases of East Worcestershire stock. One purchase was made on April 14, the day before the original closing date of the Bicester offer, and the other on April 20.

Addison up 33% prior to demerger

BY ANDREW HILL

Addison Consultancy Group lifted pre-tax profits by 38 per cent from £5.0m to £6.8m pre-demerger for 1987 on turnover up from £25.4m to £31.5m. A second interim dividend of 1.5p has been recommended, making a total of 2.5p (2.5p). Earnings per share rose from 8.79p to 9.27p.

In February the directors proposed the demerger of Addison's recruitment services division into a new holding company, Michael Page Group. Mr Julian Broad, Addison chairman, said the success of the company in marketing services and recruitment had not been fully recognised by investors. This had led to a lack of clear market positioning which resulted in a relatively low market rating.

Because the demerger process had taken a great deal of time and effort, he anticipated that 1988 would be a year of only modest growth in marketing services. This had led to a lack of clear market positioning which resulted in a relatively low market rating.

Earlier in the week Bicester announced it had received acceptances equivalent to 45.83 per cent of East Worcestershire's voting capital and that the bid, which values the water company at about £1.85m, had received clearance from the Office of Fair Trading.

On Tuesday, Lyonnaisse revealed a 12.5 per cent holding in Bristol Waterworks, which limits shareholders to a very small number of votes, irrespective of the size of their stake.

Nikki Tait examines the options facing Crescent Japan shareholders

BY ANDREW HILL

"If Crescent Japan goes, are any of us safe?" That was the grim thought passing through one rival fund manager's mind, as he contemplated the fate of the £110m investment trust, managed by Edinburgh Fund Managers.

Crescent's future will be known shortly after 3 pm this afternoon when shareholders vote on rival motions - one suggesting that the trust continue as at present, the other requesting the board to turn it into a unit trust.

At one level, the Crescent battle is nothing remarkable. Reorganisation schemes - pre-emptive or forced - have mushroomed in the sector recently, and the fund could not be classed as one of the industry's heavyweights. Its fate, in the words of one analyst, "scarcely represents the industry's Waterloo".

Yet the tussle has commanded a good deal of attention. For a start, the issues are particularly clear-cut. The American concept party is to invest in a 21 per cent stake makes no secret that its aim is "maximisation of shareholder value", which others might term more bluntly as discount-stripping - the elimination of the traditional discount suffered by investment trust share prices when compared to the trust's underlying assets.

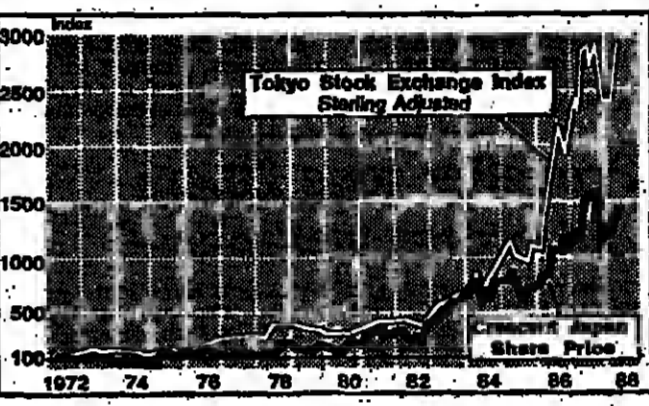
The seven-strong band of US investors, centring around the Sterling Grace brokerage business in New York, is proposing a straight-forward investment that is a transformation of the closed-end investment trust into a unit trust where price and underlying assets are directly related. The move, it calculates, should allow shareholders to cash in at around 95 per cent of net asset value (assuming the fund managers time about half the maximum termination fee).

But perhaps the more interesting point is that - in contrast to many fellow trusts recently - Crescent has not resigned itself to its fate or produced a preferable reorganisation scheme of its own. Instead, it has boldly fought the issue on its record.

The wisdom of that decision may be questionable. Although the fund tracked the Tokyo market fairly closely in the first decade after formation, more recent performance - once the exchange benefits have been stripped out - has been considerably less impressive (see graph). And, as the US concert party has highlighted mercilessly, the fund made the error - albeit understandable - of going heavily long after Black Monday, a period when Japan has been the best performing of the world's three major markets.

That said, many fund managers would be grateful to have Crescent's overall record on their side. While a few shareholders have expressed their disquiet at a sterling-adjusted Tokyo index, it is difficult to be very dissatisfied with an investment which has multiplied almost 15 times in as many years. Hence the reasoning that Crescent's possible demise next autumn may be an industry more vulnerable than ever.

There is the rub. The industry's problem can be stated simply. Total assets held by investment trusts are around £20bn. Institutions, in turn, hold around 75 per cent of trust shares. And while some of these shareholders are still supportive of the industry, it is reckoned that perhaps half to two-thirds would like to cash in when the terms are right. The explanations are twofold. The kinder argument is that many investors had bought the increasingly developed their own in-house specialists and no longer need to buy in the services of investment trust managers. The more Machievellian thought is



that many of the industry's long-term holders are now heavily involved in marketing their own rival unit trusts. Either way, the recent wave of agitation by discount-strippers appears to have concentrated minds anew on the problem of where replacement investment - amounting to as much as £10bn - might come from.

The most obvious solution would be to tap the private investor market. With various eyes cast at the £50bn which flowed into the unit trust industry in 1987, there is one school of thought which believes that a renewed marketing effort on the back of the new Financial Services Act, could at least ease the problem.

Philip Chappell at the Association of Investment Trust Companies, argues that new investment - amounting to as much as £10bn - might come from. The most obvious solution would be to tap the private investor market. With various eyes cast at the £50bn which flowed into the unit trust industry in 1987, there is one school of thought which believes that a renewed marketing effort on the back of the new Financial Services Act, could at least ease the problem.

Trusting in an established record

BY ANDREW HILL

Trustees of the Crescent Japan investment trust are facing a difficult decision on whether to continue as a unit trust or to be wound up.

The trust has a long history of success, but recent performance has been disappointing. Shareholders are being asked to vote on whether to continue as a unit trust or to be wound up.

The trust's assets are primarily Japanese stocks, which have performed poorly since the early 1980s. The trustees are considering a change to a unit trust structure to improve liquidity and transparency.

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Helical Bar in modest rise as profits source widens

BY PAUL CHEBERIGHT, PROPERTY CORRESPONDENT

Helical Bar, the property company run by Mr Michael Slade, yesterday announced a modest increase in pre-tax profits for the year to January 1988 but disclosed that the source of its profits had markedly widened.

The proposed final dividend of 9p brings total payments for the year to 3.4p, compared with 0.4p the previous year. Pre-tax profits in 1987 came out at £7.16m (£6.68m) and earnings per share rose to 22.1p (20.2p).

Over the last financial year, Helical Bar has undergone a sea-change. In 1988, 80 per cent of its profits came from the sale of one City development in Chiswell Street. That proportion fell to 30 per cent last year and there will be no contribution this year.

The slack has been made up largely from trading industrial properties and closing out the company's position in residential property. Helical Bar's most notable acquisitions were the commercial property estate of the Arcliffe and Peterlee Develop-

ment Corporation and an Allied Dunbar portfolio.

The company has also launched a development programme of setting up provincial offices, financed almost exclusively by non or limited-recourse bank borrowing. "We see ourselves as developers building up an investment portfolio, easing the switch by fairly aggressive trading," said Mr Slade.

The switch will continue this year and 1988 profits will depend largely on the trading results and to a lesser extent on the flow of revenue from retained industrial properties.

Mr Slade, who attracted some notice because his salary topped £1m a year - largely because it was tied to a 15 per cent share of the year to end-January sales of £600,000. The profit-sharing arrangement is being phased out and this year he will be on a salary of about £300,000 while holding some share options.

John Lewis plc £150,000,000 Multiple Option Facility arranged by N M Rothschild & Sons Limited. Lists various banks and financial institutions.

JOHNSTON PRESS plc Placing by Hill Samuel & Co. Limited. 6,110,350 Ordinary shares of 10p each at 122p per share payable in full on application.

CO-OPERATIVE BANK PLC. Subordinated Floating Rate Notes 2000. Holders of Floating Rate Notes of the above issue are hereby notified that for the interest period from 21st April, 1988 to 21st July, 1988 the following information will apply.

KONINKLIJKE WESSANEN NV Payment of dividend. At the annual General Meeting of Shareholders held on 21 April 1988, the dividend for the 1987 financial year was set at Dfl. 2.24 for each ordinary share with a nominal value of Dfl. 5. Since an interim dividend of Dfl. 0.64 has already been made payable, the final dividend will be Dfl. 1.60.



## Compagnie Générale d'Électricité

At its April 6, 1988 meeting chaired by Pierre Suard, the Board of Directors of Compagnie Générale d'Électricité (CGE) closed the accounts for fiscal 1987. CGE Group consolidated net income amounted to FF 3,388 million in 1987 as compared to FF 1,721 million in 1986, an increase of 97%. Net income was equal to 2.7% of consolidated sales which totalled FF 127.5 billion, as compared to an income-to-sales ratio of 2.1% for 1986. Two factors account for the 1987 advance: the improved profits achieved by the group's large energy, communications and cables subsidiaries to which were added for the first time the results of the activities acquired by CGE from ITT on December 30, 1986.

### CGE: NET INCOME DOUBLES IN 1987

After deduction of minority interest, CGE's share in 1987 net income amounted to FF 1,932 million as compared to FF 1,159 million in 1986, an increase of 68%. Calculated on a capital base comprised of 66 million shares, a figure which excludes the shares held by group companies, net income per share was FF 27.90.

Parent company net income amounted to FF 1,184 million in 1987, an increase of 34% over the 1986 figure of FF 882 million. Operating income before taxes soared to FF 1,202 million from FF 517 million in 1986. This strong advance reflects the substantial growth in dividends received from subsidiaries and investments with the first dividend payments from Alcatel NV and Framatome and an overall increase in dividends from other subsidiaries.

The Board voted to propose that the Shareholders' Meeting declare a total dividend of FF 529 million, a 180% increase over the FF 188 million paid out in 1986. The total 1987 dividend corresponds to a per share dividend of FF 7.80, excluding tax credit, paid on the 70,535,391 shares comprising the Company's capital, and to a gross per share yield of FF 11.25 including the tax credit. Dividends are scheduled to be payable as from June 27, 1988.

The Board regretfully accepted the resignation of one of its members, Jacques Rainan, and appointed Frank Drendel to replace him subject to approval by the Shareholders' Meeting.

The Board also voted to propose that the Shareholders' Meeting appoint as Statutory Auditors, Finaut Fiduciaire, represented by Jean-Pierre Vincent, and Cabinet Payer et Associés, represented by Francis Payer, and as Deputy Auditors of Finaut Fiduciaire and Cabinet Payer et Associés respectively, Michel Angot and Bertrand de Florival.

In order that shareholders may approve the 1987 financial statements and vote on its proposals with regard to the dividend payment and the appointments of one director and the auditors, the Board of Directors decided to convene the Annual Shareholders' Meeting on June 15, 1988 at 2:30 PM at the Théâtre National de Chaillot in Paris.



## Hestair surges 82% and expands further in US

BY MICHAEL SMITH

Hestair, employment agency, consumer products and engineering, yesterday announced an 82 per cent rise in 1987-88 profits and a £3.4m acquisition in the US.

Mr David Hargreaves, chairman, said that in the first two months of this year the company was way ahead of budget and a long way in front of last year. The UK employment agencies had started sensationally.

Near doubled profits of £9.6m from employment agencies, contract computer staff, property and health care helped to boost group pre-tax profits in the year to January from £7.33m to £13.53m. Turnover was up from £135.22m to £216.83m.

Trading profits of the engineering division improved from £1.8m to £2.44m and consumer products from £2.92m to £2.42m.

Mr Hargreaves said the engineering order book this year was 60 per cent up on the comparable period of 1987-88. The bus and coach division was showing a 182 per cent improvement.

After tax last year of £2.65m (£780,000) earnings per share were 34 pence ahead at 24.3p (18.1p).

The final dividend is 8.4p, making a total for the year of 5.4p, a 20 per cent rise. Almost a year after first moving into the US employment

agency business, Hestair is making its eighth acquisition there.

The £5.34m acquisition of Goodfield Industrial Services, a temporary employment agency with nine branches in Washington, will be satisfied by the issue of 30m shares, most of which are being offered to shareholders.

Deferred consideration for previous acquisitions means shareholders are being offered 5.25m shares at 270p on the basis of four for every 37 held.

Hestair now has 130 branches in the US and says higher than expected profits being achieved by them outweigh any weakness of the dollar. Its target is 200 branches.

In consumer products Kiddicraft, the toys group, was helped to more than £1m pre-tax profits in 1987-88 by increased TV advertising.

Mr Hargreaves said the educational supply business, made only limited gains, partly because of intense competition from Hollis.

comment  
Americans apparently find it

difficult to understand why the British rate Hestair so poorly. US employment agencies are trading on prospective p/e of about 17, but if Hestair makes pre-tax profits of £22m this year its multiple will be around 9. Hestair is of course not just a services company but this year about two thirds of profits will come from that source. And the majority of the services division's profits will come out of the US, where the temporary payroll is growing by about 13 per cent annually. Hestair reckons it can grow US turnover by 25 per cent and profits by considerably more. Investors are perhaps held back by the company's involvement in engineering, but a booming buses market should help this division to raise profits by perhaps another 70 per cent. Hestair likes to make acquisitions on a region-by-region basis, so there is no danger of an issue of shares like that of its competitor, Blue Arrow, last year. The Americans are right: Hestair deserves a better deal from the market.

## Improving margins help Austin Reed to pass £8m

BY ALICE RAWSTHORN

Austin Reed, the classic men's and women's wear group, yesterday announced a 32 per cent increase in pre-tax profits to £2.1m for the year ended January 31 1988, on sales ahead 9 per cent to £78.4m.

Mr Barry Reed, chairman, said the group's performance reflected "outstanding" trading in the first half of the year, followed by "good progress in the autumn". A growth in earnings per share to 18.7p (14.1p) reflected both the buoyant pace of trading and the improvement in margins.

The board proposes a final dividend of 5.5p making 8.5p (6.5p) for the full year.

Austin Reed is involved with both retailing - which provides 75 per cent of sales - and manufacturing. It sports 41 shops in Britain and Holland, all new stock women's wear for the first time.

It opened its first new shop for some time - in the City - last autumn. The shop opened on the day of the hurricane and three days before the stock market crash, but is trading very well, said Mr Reed.

The group plans to open more shops in the next few years. Mr Reed envisages an eventual chain of 50.

It is also in the throes of a refurbishment and restocking programme. So far 15 shops have been refurbished. The whole chain should be completed within three years.

Austin Reed also plans to expand the recently acquired Cashmores of Scotland chain of luxury knitwear shops in the US to 15 or 20 units. It intends to

open the first European unit later this year in London.

On the manufacturing front, the group has expanded its production capacity in Crewe and has just bought a small "satellite" factory. It will continue to expand its women's wear.

Mr Reed expects its contribution to retail sales to rise from 19 to 25 per cent over the four years. "The only difficult area of trading was licensing in the US, where sales increased but income fell slightly because of the dollar's decline. This was offset by a currency gain to licensing income from Japan."

Mr Reed said that the present year had begun well, with retail sales showing growth of 11 per cent.

comment  
In the past Austin Reed has tended to be dismissed as one of the sleepier elements of the clothing industry. No more. Behind the genteel facade of its classic tailoring, it is quietly revitalising its activities. The business is already benefiting from investment in store refurbishment and computerisation. This year the fruits of expansion within women's wear and new openings should start to filter through.

The Chairman's of Scotland concept offers lots of scope for future growth and the problems of Robertson's seem, at long last, to have been resolved. The present pace of trading augurs well and the City expects profits of at least £9.25m for the present year. This leaves the shares, on a prospective p/e of 11, with a little further to go.

## Brixton Estate shows growth in assets and profits

BY PAUL CHEESBRIGHT, PROPERTY CORRESPONDENT

Brixton Estate, the property investment group with a strong industrial and offices portfolio, yesterday surprised the market by announcing a 34.2p per cent increase to 302p in its net asset value per share.

In a strong property sector, the shares rose 15p to 290p after touching 283p.

The rise was largely attributed to the increasing value of the group's office properties in the Holborn area, adjacent to the City of London, and to the underlying strength of the industrial property market.

At the same Brixton announced that pre-tax profits for 1987 rose to £13.2m from £10.78m in 1986, an increase that was at the top end of City expectations.

Earnings per share moved up to 11.94p from 8.79p.

Shareholders are to receive a final dividend of 4.8p which, with the interim dividend, brings total payments for the year to 7.59p, compared with 6.5p last year.

In line with the generally strong property market Brixton's net rental income climbed to £25.4m last year from £22.8m in 1986.

This income formed the basis of a rise in investment profits to £12.1m from £10.1m in 1986.

These profits, however, will have been held down by the need to carry the costs of property holdings in the depressed Houston area of the US. The group has been following

through a £100m development programme, which includes extension of its industrial estate at Dunstable, Bedfordshire, a corporate centre at Feltham, Middlesex, and offices both at Finsbury Square in the City, and near Southwark Bridge on the City fringe.

Brixton said yesterday that the budget proposals on capital gains tax had been highly beneficial.

It said that if all investment properties were sold at book value the new tax liability would be £16m instead of £49m previously.

comment

Brixton is the most bigly geared of the major British property investment groups with net debt consistently around 80 per cent of shareholders' funds. This helped enhance the net asset value when brought down to the per share level. But the underlying factors of an increase in the value of its portfolio last year should hold good this year: the industrial market is strong and the group's City developments are pre-let. Analysts are looking for a further increase over 1987 to 1988.

A final dividend of 4.8p is recommended, making 2.5p (2.3p) for the year.

comment  
The net proceeds of last May's £2.8m Rights issue enabled Epicure to reduce gearing as well as funding part of the group's acquisition programme.

Engineering activities, boosted by acquisitions, accounted for some 70 per cent of group earnings, which expanded by 45 per cent from £23.38m to £34.02m. The Sheffield-based Standard Piston Ring Co, acquired in October last year and merger accounted, and two Swedish companies purchased from Sandvik, Micor and Nordland, were the most significant of a number of acquisitions made over the year, Mr Hammarqvist said.

The figures also included a first time full year contribution from the Grimaldi companies, purchased in August 1986. Painting and civil engineering activities recovered well after a poor start, he added.

Earnings per 5p share rose to 2.76p against 1.85p last time, and the directors proposed a final dividend of 0.5p, making 0.75p (0.3p) for the year.

## Advertising decline hits Grampian TV

Taxable profits of Grampian Television declined by 16 per cent to £1.48m in the 12 months to February 28.

Sir Iain Tennant, chairman, warned of a possible setback at the time of the interim statement in November. He attributed the shortfall to "the continued drift in advertising revenue to the south of the country". However, he expressed optimism over current trading and stated that the group had made a bright start to the year and that new measures were being developed to meet growing competition.

Turnover was virtually unchanged at £39.21m (£39.25m), while Exchange Revenue accounted for £192,000 against £286,000 last time. Earnings worked through at 6.89p (7.78p) per 10p share.

A final dividend of 2.07p is recommended, making 2.5p (2.3p) for the year.

Sir Iain said that he awaited the White Paper on Broadcasting with "some trepidation" and added that possible "disruptive interventions could seriously undermine the quality of British television".

## Acquisitions prompt growth at Epicure

Epicure Holdings, engineering and construction services group based in the UK and Sweden, yesterday revealed another sizeable increase in its recovery as pre-tax profits for 1987 expanded by 78 per cent to £1.26m.

The group, which ran into trouble in the mid-eighties, has been revamped by Mr Hakan Hammarqvist who took over as chairman towards the end of 1985.

He said that the group now had a stronger balance sheet than for many years and continued to look for growth opportunities complementary to existing activities. Funding would be provided from the sale of development land and surplus properties.

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## ORANGE FREE STATE INVESTMENTS LIMITED

Incorporated in the Republic of South Africa  
Registration No. 55597/15/06

# OFSIL

### First interim report - 1988

The following are the unaudited income statement of the company for the six months ended March 31 1988 and abridged balance sheet at that date:

#### Income statement

(R million)	Six months ended 31.3.88	Six months ended 31.3.87	Year ended 30.9.87
Income from listed subsidiary company	78.5	91.1	182.2
Other expenditure - net	6.4	0.3	0.6
Profit before taxation	78.1	90.8	181.6
Taxation	-	-	0.1
Profit after taxation	78.1	90.8	181.5
Dividends - interim	78.8	90.1	90.0
- final	-	-	91.6
	78.8	90.1	181.6
Increase (decrease) in retained profit	0.1	0.7	(0.1)
Retained profit brought forward	0.1	0.2	0.2
Retained profit	0.2	0.9	0.1
Earnings per share - cents	311	403	806
Dividends per share - cents	311	400	807

#### Balance sheet

(R million)	31.3.88	31.3.87	30.9.87
Share capital	0.2	0.2	0.2
Share premium	1 358.9	1 358.9	1 358.9
Distributable reserve	0.2	0.9	0.1
	1 359.3	1 357.0	1 356.2
Represented by:			
Listed investment	1 356.1	1 356.1	1 356.1
Current assets	78.6	91.2	82.0
Current liabilities	78.4	90.3	81.9
Net current assets	0.2	0.9	0.1
	1 359.3	1 357.0	1 356.2
Number of shares in issue	22 514 094	22 514 094	22 514 094
Net asset value per share (after providing for dividends), adjusted for market value of listed investment - cents	8 892	13 968	14 551

#### Subsidiary company

The company's holding of 58 761 785 shares (equivalent to a 50.58 per cent interest), in Free State Consolidated Gold Mines Limited (Freegold) remained unchanged and was valued as follows:

(R million)	31.3.88	31.3.87	30.9.87
Market value	1 821.6	3 143.7	3 276.0
Book value	1 356.1	1 356.1	1 356.1
Appreciation	465.5	1 787.6	1 919.9

The consolidated profit, after taxation, of the group for the six months ended March 31 1988 was R141.6 million (six months ended March 31 1987: R180.0 million).

Freegold's report for the quarter and six months ended March 31 1988 giving details of its operations is being published today and copies are available from the offices of the transfer secretaries.

#### Dividend

The final dividend (No. 4) of 407 (1986: 456) cents per share in respect of the year ended September 30 1987 was declared on October 22 1987 payable to members registered on November 6 1987 and was paid on December 11 1987.

#### Change of financial year end

It has been decided, for administrative reasons, to change the company's financial year end from September 30 to March 31. The current financial year of the company will therefore be a period of eighteen months ending March 31 1988. A second interim report for the twelve months to September 30 1988 will be published on October 21 1988 and a second interim dividend will be considered by the board on October 20 1988.

For and on behalf of the board

E. P. Gush  
L. Hewitt  
Directors

Johannesburg  
April 22 1988

Transfer Secretaries  
Consolidated Share Registers  
Limited  
First Floor Edgars  
40 Commissioner Street  
Johannesburg 2001  
(P.O. Box 61051  
Marshalltown 2107)  
South Africa

and  
Hill Samuel Registers Limited  
6 Grosvenor Place  
London SW1P 1PL

Head Office  
44 Main Street  
Johannesburg 2001  
(P.O. Box 61587  
Marshalltown 2107)  
South Africa

London Office  
40 Holborn Viaduct  
London EC1P 1JF

By order of the board  
Anglo American Corporation of South Africa Limited  
Secretaries  
per R. S. Edmunds, Divisional Secretary

The full conditions relating to the dividend may be inspected at the Johannesburg and London offices of the company and its transfer secretaries.

#### Share warrants to bearer

Holders of share warrants to bearer are notified that the dividend is payable on or after Friday, June 10 1988, upon presentation of coupon marked "South Africa" and No. 5 on the side reflecting the share warrant number at the offices of First National Bank of Southern Africa Limited, Stock Exchange Branch, Diagonal Street, Johannesburg, South Africa; Union Bank of Switzerland, Bahnhofstrasse 45, 8021 Zurich, Switzerland; Credit du Nord, 6 and 8 Boulevard Haussmann, 75009 Paris, France; and Banque Bruzettes Lambert, 24 Avenue Marlin, 1050 Brussels, Belgium, only. Coupons must be left at least four clear days for examination.

Amount (South African currency) 311 cents per share (1987: 400 cents)

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## Epwin advances 16% to £2.1m

BY PHILIP COGGAN

Epwin, uPVC replacement window manufacturer, yesterday announced a 16 per cent pre-tax profit increase to £2.1m in its first preliminary results since joining the Unlisted Securities Market last year.

Turnover for the year ended December 31 1987 was £30.8m, up from £29.3m, and net operating income was £2.17m, against £1.91m last time.

After interest payable of £55,000 (£66,000), pre-tax profits were £2.11m (£1.83m). After tax of £247,000 (£244,000), earnings per share were 12.2p (10.2p). The company is proposing a final divi-

dend of 3.2p, making a total of 4.8p.

Profits were held back by a £3m investment in a uPVC extrusion plant at Telford. However, the plant will give Epwin much stronger control over its costs in the long run. It also helped reduce the tax charge last year, since Telford is in an Enterprise Zone.

The Telford plant should be profitable this year. A further 50,000 square feet has yet to be developed at the site for use as a warehouse and distribution depot.

Mr James Rawson, chairman, said that the home improvements

boom had meant extremely strong demand for the company's products. Epwin markets windows under the Europal, Plastal and Total Window Systems brand names.

In September Epwin acquired Wrekin Windows, which manufactures windows for council housing, for £500,000.

Minorities took £3.52m (£3.42m) and dividends absorbed £688,000 (£150,000) to leave retained profit for the year down at £1m (£1.15m).

Analysts are looking for an increase in pre-tax profits to £2.7m this year.



## Declan Kelly Group plc

DECLAN KELLY GROUP PLC ANNOUNCES ITS RESULTS FOR THE YEAR ENDED 31 DECEMBER 1987

	1987 £000	1986 £000
Turnover	34,468	19,210
Profit before taxation	3,102	1,583
Profit after taxation	2,114	980

"The outstanding results achieved during 1987 are a continuation of the growth established over recent years. The volume of forward housing sales in hand, together with the economic outlook for the coming year, suggests that this level of growth will continue throughout 1988".

From the statement by the Chairman, Declan Kelly 18 April 1988

The Declan Kelly Group plc is a diversified property development business with interests in residential and commercial property development, timber frame manufacturing and building.

For a copy of the 1987 Report and Accounts write to:  
Company Secretary, Declan Kelly Group plc,  
Old Portsmouth Road, Guildford, Surrey GU3 1LR.

## Cluff Oil Holdings plc wholly-owned subsidiary Cluff Mineral Exploration (Zimbabwe) Ltd.

announces the production start-up of

The Freda Gold Mine Bindura, Zimbabwe on 10th April 1988

Mine development financed by Z\$7 million loan

provided by

Standard Chartered Merchant Bank Zimbabwe Limited  
R.A.L. Merchant Bank Limited  
Syfrets Merchant Bank Limited

COMMODITIES AND AGRICULTURE

Brazilian company plans \$450m copper project

BY JOHN BARIHAM IN SAO PAULO

COMPANHIA Vale do Rio Doce, the Brazilian Government-owned mining conglomerate, is planning to invest \$450m over the next five years to develop a major copper reserve in the Amazon.

Vale expects domestic demand to rise to \$60,000 tonnes a year by 1993, which would actually increase the need for imports above current levels.

The mine is located in the company's Carajas mineral province in the Eastern Amazon. Carajas is rich in iron ore, gold silver and strategic metals.

Aluminium demand 'likely to stagnate'

By David Blackwell

ALUMINIUM consumption is likely to stagnate over the next year in spite of the reasonable economic background, according to the latest report from consultancy group Anthony Bird Associates.

The very short-term view is described as "pessimistic." Demand is starting to hesitate after recent high consumption figures as reaction sets in to the dramatic rise in metal prices seen over the last 15 months and the deterioration of aluminium's competitive position in many markets, says the report.

Outlook confused for Opec talks

BY STEVEN BUTLER

CONFLICTING signals continued to emerge yesterday over whether the Organisation of Petroleum Exporting Countries will succeed in cutting world oil production when it meets with non-Opec producers on Tuesday next week, to be followed by a full Opec ministerial meeting two days later.

A KEY parliamentary report on future Norwegian oil field developments has been postponed, because of a continuing row over the country's oil policy, reports Reuter from Oslo.

There have been differing viewpoints from various reports as to what the committee has said it needs more time, Mr Helle said. The report will now be published at the beginning of May, but no date has been set.

Its main objective is to give a recommendation on the planned development of the Snorre oil and gas field, one of the largest known untapped sources on Norway's continental shelf.

Philippines orders mine closure because of pollution problem

BY RICHARD GOURLAY IN MANILA

MARCOFFER MINING Corporation, which runs the third largest copper mine in the Philippines, has been ordered to shut its Marinduque operation indefinitely after failing to meet government pollution standards.

The mine is 40 per cent owned by Placer Dome Corporation of Canada, the publicly quoted mining company. It was producing nearly 9,000 tonnes of copper concentrate a month until Tuesday, a company official said.

behalf of the deposed president and surrendered them to the new Government. Marcoffer has only made profits since the 1980s, in 1983, although it had hoped to go into the black this year. It forecast export sales of \$40-45m in 1988, from the half of its concentrate not supplied to the Philippine Associated Smelting and Refining Corporation (Pasar).

Australia approves coal sales to Japan

BY CHRIS SHERWELL IN SYDNEY

THE AUSTRALIAN Government yesterday decided to approve controversial export sales to Japan of hard and soft coking coal, but said the go-ahead was subject to employment assurances from mining companies.

Malaysian rubber output falls

BY CATHERINE McELHINNEY IN MOSCOW

THE SOVIET Union has told the US officially that it has ended commercial whaling, Mr William Verity, the US Secretary of Commerce said at the conclusion of two days of US-Soviet trade talks here.

areas of fisheries, and hoped other nations would follow the Soviet example. The US has been angered by Japan's continued whaling. Tokyo is using a clause in the international convention that allows whaling for so-called research to continue on a commercial scale.

However, under the 1946 whaling convention, the Soviet Union had a legal formal objection to the ban, which meant its long term intentions were unclear.

Major importers of Malaysian rubber in February were South Korea, which took 17,988 tonnes, Singapore 11,348 and the US 12,278. China's imports fell to 4,905 tonnes.

Cornish tin's future 'tied to \$ rate'

BY KENNETH GOODING, MINING CORRESPONDENT

THE FUTURE of Cornwall's remaining tin mines depends mainly on the dollar-pound exchange rate, according to an analysis by Kleinwort Greaves Securities, the stockbrokers.

Mr Mark Alcock, a mining analyst, suggested in the document that demand and supply for tin were slowly coming into balance. He said the dollar price of tin should therefore climb back to levels at which Cornish mines would be above break-even.

Mr Alcock said that should further reduce stocks which have been overvaluing the market since the collapse of the International Tin agreement's buffer stock operation in 1985. Stocks are estimated now between 58,000 tonnes and 60,000 tonnes.

Power cut hits Colombian nickel mine

OUTPUT of ferro-nickel at Colombia's Cerro Matoso mining and refinery project has been cut by half because of problems in the pyro-metallurgical process, Dutch metal traders said yesterday, reports Reuter from Amsterdam.

Soviets confirm end to whaling

BY CATHERINE McELHINNEY IN MOSCOW

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WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER PRICES fell further on the LME yesterday, with cash grade A metal shedding \$32.50 to \$1,125 a tonne - its lowest level since September 19 last year. Some traders said the market seemed to be getting oversold and was probably due for a correction, although the undertone remained soft. In contrast, three-month nickel breached the \$7.85 level, closing up \$0.01 at \$15.625 a tonne following confirmation of a force majeure declaration on ferro-nickel by Falconbridge, covering against inter-office sales to US operators, and firmer starting signals in the dollar, meanwhile the second position Biffes dry freight futures contract plunged 74 points to 1.218 in near record volume. Traders expected further weakness in the physical shipping market to spark further selling today, leading the 1,200 level. Also on the Baltic Futures Exchange, active option dealings in the October contract boosted volume in a sharply lower soybean futures market.

Table with columns: Commodity, Close, Previous, High/Low. Includes COCOA, COFFEE, RUBBER, and various oil products.

Table with columns: Commodity, Close, Previous, High/Low. Includes LONDON METAL EXCHANGE, SOYABEAN MEAL, and various oil products.

Table with columns: Commodity, Close, Previous, High/Low. Includes LONDON MILLION BAISSET, SOYABEAN MEAL, and various oil products.

Table with columns: Commodity, Close, Previous, High/Low. Includes SOYABEAN MEAL, SOYABEAN OIL, and various oil products.

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SPOT MARKETS

Table with columns: Commodity, Price. Includes Crude oil, Brent Blend, WTI, and various agricultural products.

SOYABEAN 5,000 lb metric cent/bushel

Table with columns: Date, Close, Previous, High/Low. Shows price fluctuations for soyabean over time.

SOYABEAN OIL 5,000 lb metric cent/bushel

Table with columns: Date, Close, Previous, High/Low. Shows price fluctuations for soyabean oil over time.

SOYABEAN MEAL 100 tonne \$/tonne

Table with columns: Date, Close, Previous, High/Low. Shows price fluctuations for soyabean meal over time.

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Table with columns: Date, Close, Previous, High/Low. Shows price fluctuations for soyabean meal over time.

FRUIT AND VEGETABLES

New season apples are becoming more plentiful this week, reports FRUIT. New arrivals in the shape of the sweetest include Chieftain cherries, 70-80g lb, and chieftain green hawthorn melons at £1.10-1.50. Prince hawthorn melons are abundant, following recent milder weather, 30-40g (6-7lb), white potatoes, white 11-14p, and reds 7-14p, remain plentiful. The Spanish bean season has now started, with quality beans £1.00-1.20, broad beans £0.50-0.60 and new crop potatoes 20-30p and homegrown Cape broccoli 50-70p. Homegrown cucumbers are down to 20-30p (40-50p) as a result of better weather, while top quality tomatoes are now 80p-1.00 (90-100p). Round lettuce is down to 20-30p (20-30p) while cabbages are now 60p-1.00 (70p-1.10).

LONDON METAL EXCHANGE TRADED OPTIONS

Table with columns: Commodity, Calls, Puts. Shows option prices for various metals.

SOYABEAN 5,000 lb metric cent/bushel

Table with columns: Date, Close, Previous, High/Low. Shows price fluctuations for soyabean over time.

SOYABEAN OIL 5,000 lb metric cent/bushel

Table with columns: Date, Close, Previous, High/Low. Shows price fluctuations for soyabean oil over time.

SOYABEAN MEAL 100 tonne \$/tonne

Table with columns: Date, Close, Previous, High/Low. Shows price fluctuations for soyabean meal over time.

SOYABEAN OIL 100 tonne \$/tonne

Table with columns: Date, Close, Previous, High/Low. Shows price fluctuations for soyabean oil over time.

SOYABEAN MEAL 100 tonne \$/tonne

Table with columns: Date, Close, Previous, High/Low. Shows price fluctuations for soyabean meal over time.

SOYABEAN OIL 100 tonne \$/tonne

Table with columns: Date, Close, Previous, High/Low. Shows price fluctuations for soyabean oil over time.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling approaches DM3.16

STERLING renewed its upward surge against the D-Mark, and major currencies in general, on publication of the UK bank lending figures for March. These showed a substantial rise from February, and were well above most City forecasts.

At the same time the market appears unwilling to challenge the central banks with aggressive selling of the dollar. A look at the calendar suggests there should be no major factors to move the dollar for the next week or so, and that the currency is likely to remain in a narrow range until the end of the month.

The dollar closed unchanged at DM1.6895, SF1.3795, and FF15.65, but rose slightly to Y124.15 from Y123.95. According to the Bank of England the dollar's index rose to 92.2 from 92.1.

D-MARK - Trading range against the dollar in 1987/88 is 1.6205 to 1.6740. March average 1.6766. Exchange rate index 148.9 against 146.8 six months ago. The D-Mark gave a little ground to the dollar in Frankfurt yesterday, but the US currency closed below its highest level. It finished at DM1.6890, compared with DM1.6890 on Wednesday. The Bundesbank did not inter-

vene when the dollar was fixed at DM1.6670, compared with DM1.6626 previously. Sterling was firm against the D-Mark, following the UK bank lending figures. In Paris the French franc finished unchanged against the D-Mark. The franc was said to draw support from a firming of interest rates in Paris, after the Bank of France withdrew liquidity from the domestic money market.

JAPANESE YEN - Trading range against the dollar in 1987/88 is 159.45 to 121.35. March average 157.08. Exchange rate index 246.0 against 238.8 six months ago. The yen fell back against the dollar in Tokyo. The dollar rose to Y124.30 from Y123.90, in quiet trading lacking new factors. Dealers said the US currency is likely to stay in a narrow range for some time, held at a peak of Y124.50 by selling, for speculative reasons and to hedge currency risks. On the other hand fear of central bank intervention should stop the dollar falling below Y123.50.

FINANCIAL FUTURES

Firm pound helps gilts rally

LONG GILT futures finished a little weaker on Liffe, but towards the top of the day's range. Gains by sterling probably helped the contract cope with the higher than expected UK bank lending figures announced for March. Sterling M2 lending rose \$4.7bn, compared with \$2.6bn in February, while M4 lending, including building society loans, rose \$6.6bn, against \$4.2bn the previous month. The City was generally looking for only a slight rise on the month. A rise of 1.8 p.c. in narrowly defined M0 money supply growth took the year-on-year rise to 8.4 p.c. - above the official 2 p.c. to 5 p.c. target range - but this had been widely forecast and was largely ignored, as traders concentrated on the implications of the bank lending news.

June long gilt futures opened weaker at 122.04, and fell to a low of 121.22 on the banking figures, but rallied to close at 122.05, compared with 122.08 on Wednesday. Traders expressed some surprise at how calmly the market had taken the news, but suggested it may be because many large institutional investors are towards the limits on their cash book, and must find somewhere to put the money, at a time of continued nervousness about the equity market. It was pointed out that the rise in M3 lending was the third highest on record, and that the two higher months contained a large element of round tripping in the bill market. This was not the case in March, and on that basis the figure looked even more alarming.

Estimated volume total, Cals 4599 Pals 2622 Previous day's open bid, Cals 4599 Pals 2624

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: Currency, Unit, % change from 1987/88, % change against DM, % change against FF, % change against SF, % change against Y.

Change in the US, Sterling parity change denotes a mark currency adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Table with columns: Term, Bid, Ask, % change from 1987/88, % change against DM, % change against FF, % change against SF, % change against Y.

STERLING INDEX

Table with columns: Index, Bid, Ask, % change from 1987/88, % change against DM, % change against FF, % change against SF, % change against Y.

CURRENCY RATES

Table with columns: Currency, Bid, Ask, % change from 1987/88, % change against DM, % change against FF, % change against SF, % change against Y.

CURRENCY MOVEMENTS

Table with columns: Currency, Bid, Ask, % change from 1987/88, % change against DM, % change against FF, % change against SF, % change against Y.

OTHER CURRENCIES

Table with columns: Currency, Bid, Ask, % change from 1987/88, % change against DM, % change against FF, % change against SF, % change against Y.

MONEY MARKETS

Rates volatile

INTEREST RATES were rather volatile on the London money market, on publication of a higher than expected rise in UK bank lending in March. But at the end of the day there was little change, although the banking figures appeared to rule out any early cut in UK base lending rates.

Rates opened firmer, with three-month interbank at 8 1/4 p.c., compared with 8 1/8 p.c. overnight. On publication of the lending data three-month money briefly touched 8 1/4 p.c., before closing at 8 1/4 p.c. UK clearing bank lending rose 8 p.c. from April 11.

Day-to-day credit remained uncomfortably short supply. The Bank of England initially forecast a money market shortage of £1.50bn, but revised this to £1.20bn at noon. Total help of £1.15bn was provided.

An early round of help was offered, and at that time the authorities bought £100m bills, for resale to the market on May 16, at 7 1/2 p.c.

Before lunch the Bank of England gave further assistance of £20m, including £20m bills bought overnight, by way of £20m bank bills in band 1 at 7 1/2 p.c., and £27m bank bills in band 2 at 7 1/2 p.c.

FINANCIAL FUTURES

Table with columns: Contract, Bid, Ask, % change from 1987/88, % change against DM, % change against FF, % change against SF, % change against Y.

FINANCIAL FUTURES

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FINANCIAL FUTURES

Table with columns: Contract, Bid, Ask, % change from 1987/88, % change against DM, % change against FF, % change against SF, % change against Y.

FINANCIAL FUTURES

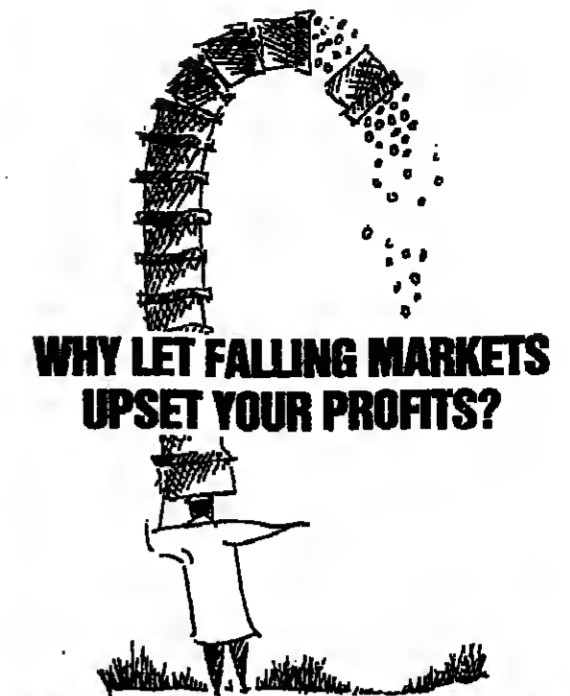
Table with columns: Contract, Bid, Ask, % change from 1987/88, % change against DM, % change against FF, % change against SF, % change against Y.

FINANCIAL FUTURES

Table with columns: Contract, Bid, Ask, % change from 1987/88, % change against DM, % change against FF, % change against SF, % change against Y.

FINANCIAL FUTURES

Table with columns: Contract, Bid, Ask, % change from 1987/88, % change against DM, % change against FF, % change against SF, % change against Y.



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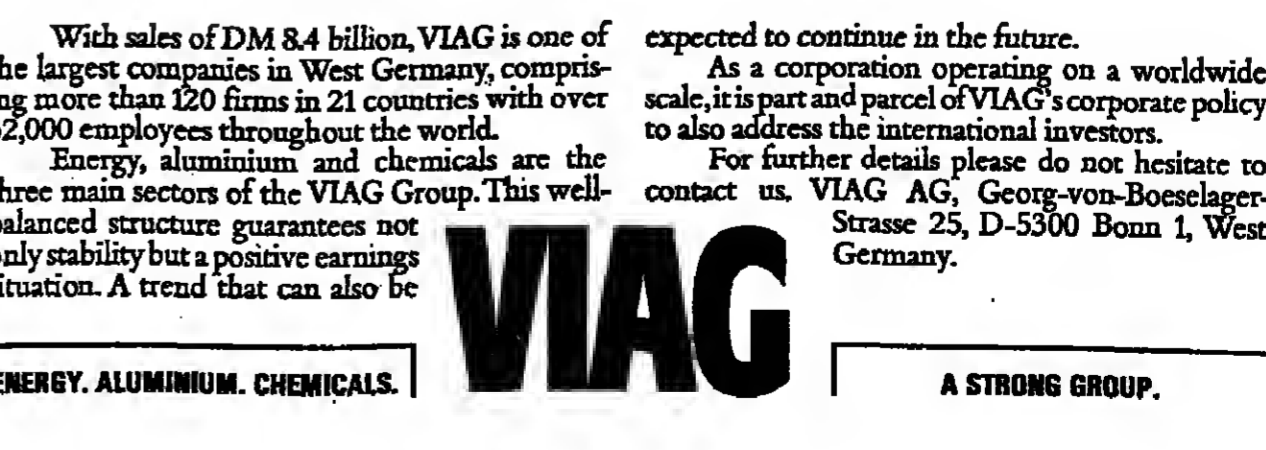
The latest business news from Germany.

DOWN (WEST GERMANY): THE GERMAN FEDERAL GOVERNMENT WILL SHORTLY SELL ITS REMAINING SHARES IN VIAG AS TWO YEARS AGO VIAG WAS PARTIALLY PRIVATISED AND 40 PER CENT OF THE CAPITAL WAS SOLD OFF. NOW THE REMAINING 60 PER CENT IS BEING OFFERED FOR SALE TO THE PUBLIC.

With sales of DM 8.4 billion, VIAG is one of the largest companies in West Germany, comprising more than 120 firms in 21 countries with over 32,000 employees throughout the world.

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EUROPEAN OPTIONS EXCHANGE

Table with columns for Series, May 88, Jun 88, Jul 88, and Stock prices for various options.

Table with columns for Series, Jun 88, Jul 88, and Stock prices for various options.

BASE LENDING RATES

Table listing base lending rates for various banks and financial institutions.

AUTHORISED UNIT TRUSTS

Large table listing various unit trusts, their managers, and performance data.

FT UNIT TRUST INFORMATION SERVICE

Hertfordshire advertisement: The Financial Times proposes to publish this survey on 24th May 1988.

FT CROSSWORD No.6,612 SET BY DINNUTZ

Crossword puzzle grid with numbers 1-28.

Crossword clues and solutions. Clues include 'Fair game?' and 'Accuses printing-sheet of misrepresentation'.

Handwritten signature or mark at the bottom of the page.





FT UNIT TRUST INFORMATION SERVICE

Table of FT Unit Trust Information Service listing various unit trusts, their managers, and performance metrics.

LONDON SHARE SERVICE

Table of London Share Service listing British Funds, Foreign Bonds & Rails, and AMERICANS.

Table of Money Market Trust Funds and Money Market Bank Accounts.

Handwritten Arabic text at the top of the page.

LONDON SHARE SERVICE

AMERICANS - Cont'd

Table listing American companies with columns for company name, price, and change.

CANADIANS

Table listing Canadian companies with columns for company name, price, and change.

BANKS, HP & LEASING

Table listing banks, hire purchase, and leasing companies with columns for company name, price, and change.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies with columns for company name, price, and change.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road companies with columns for company name, price, and change.

BUILDING, TIMBER, ROADS Cont'd

Continuation of building, timber, and road companies table.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies with columns for company name, price, and change.

DRAPERY AND STORES

Table listing drapery and store companies with columns for company name, price, and change.

DRAPERY AND STORES - Cont'd

Continuation of drapery and store companies table.

ELECTRICALS

Table listing electrical companies with columns for company name, price, and change.

Table listing electrical companies with columns for company name, price, and change.

Table listing electrical companies with columns for company name, price, and change.

ENGINEERING

Table listing engineering companies with columns for company name, price, and change.

ENGINEERING - Cont'd

Continuation of engineering companies table.

FOOD, GROCERIES, ETC

Table listing food, grocery, and other companies with columns for company name, price, and change.

HOTELS AND CATERERS

Table listing hotel and catering companies with columns for company name, price, and change.

INDUSTRIALS (Miscel.)

Table listing miscellaneous industrial companies with columns for company name, price, and change.

INDUSTRIALS (Miscel.) - Cont'd

Continuation of miscellaneous industrial companies table.

INDUSTRIALS (Miscel.) - Cont'd

Continuation of miscellaneous industrial companies table.

INSURANCES

Table listing insurance companies with columns for company name, price, and change.

Handwritten text at the bottom of the page.



LONDON SHARE SERVICE

طهران ۲۲ آوریل ۱۳۶۷

INSURANCES - Contd

Table listing insurance companies and their share prices.

PAPER, PRINTING, ADVERTISING - Contd

Table listing paper, printing, and advertising companies and their share prices.

TEXTILES - Contd

Table listing textile companies and their share prices.

TRUSTS, FINANCE, LAND - Contd

Table listing trusts, finance, and land companies and their share prices.

OIL AND GAS - Contd

Table listing oil and gas companies and their share prices.

MINES - Contd

Table listing mining companies and their share prices.

LEISURE

Table listing leisure companies and their share prices.

PROPERTY

Table listing property companies and their share prices.

TOBACCOS

Table listing tobacco companies and their share prices.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies and their share prices.

Table listing trusts, finance, and land companies and their share prices.

Table listing oil and gas companies and their share prices.

OVERSEAS TRADERS

Table listing overseas traders and their share prices.

PLANTATIONS

Table listing plantation companies and their share prices.

Table listing mining companies and their share prices.

MISCELLANEOUS

Table listing miscellaneous companies and their share prices.

THIRD MARKET

Table listing third market companies and their share prices.

MOTORS, AIRCRAFT TRADES

Table listing motor and aircraft trade companies and their share prices.

Commercial Vehicles

Table listing commercial vehicle companies and their share prices.

Components

Table listing component companies and their share prices.

Garages and Distributors

Table listing garage and distributor companies and their share prices.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publisher companies and their share prices.

SHIPPING

Table listing shipping companies and their share prices.

SHOES AND LEATHER

Table listing shoes and leather companies and their share prices.

SOUTH AFRICANS

Table listing South African companies and their share prices.

TEXTILES

Table listing textile companies and their share prices.

Finance, Land, etc

Table listing finance, land, and other companies and their share prices.

MINES

Table listing mining companies and their share prices.

Central Rand

Table listing central rand mining companies and their share prices.

Eastern Rand

Table listing eastern rand mining companies and their share prices.

Far West Rand

Table listing far west rand mining companies and their share prices.

O.F.S.

Table listing O.F.S. mining companies and their share prices.

Diamond and Platinum

Table listing diamond and platinum mining companies and their share prices.

Central African

Table listing central African mining companies and their share prices.

Finance

Table listing finance companies and their share prices.

Oil and Gas

Table listing oil and gas companies and their share prices.

NOTES

Stock Exchange dealing classifications are indicated to the right of security names...

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks.

TRADITIONAL OPTIONS

Table listing traditional options and their rates.

A selection of options traded is given on the London Stock Exchange Report Page.



WORLD STOCK MARKETS

Table with columns for various countries (Australia, Canada, Denmark, France, Germany, Greece, Hong Kong, India, Japan, Korea, Malaysia, New Zealand, Norway, Singapore, South Africa, Sweden, Switzerland, Taiwan, Thailand, UK, USA, West Germany) and their respective stock market performance.

Table titled 'CANADA' showing stock market performance for various Canadian companies and indices, including Toronto and Montreal closing prices.

Table titled 'ASIA' showing stock market performance for various Asian countries including Australia, Canada, Denmark, France, Germany, Greece, Hong Kong, India, Japan, Korea, Malaysia, New Zealand, Norway, Singapore, South Africa, Sweden, Switzerland, Taiwan, Thailand, UK, USA, and West Germany.

Table titled 'OVER-THE-COUNTER' showing Nasdaq national market closing prices for various stocks.

Table titled 'INDICES' showing various stock indices including Dow Jones, Nikkei, Hang Seng, and others, along with their values and changes.

Advertisement for HELSINKI & ESPOO featuring a large headline 'Have your F.T. hand delivered...', a list of services, and contact information for the company.



NYSE COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices. Columns include Stock, Price, Change, and Volume. Includes sub-sections like 'Continued from Page 44' and 'U U U U'.

AMEX COMPOSITE CLOSING PRICES

Table of AMEX Composite Closing Prices. Columns include Stock, Price, Change, and Volume. Includes sub-sections like 'D D D D', 'E E E E', 'F F F F', 'G G G G', 'H H H H', 'I I I I', 'J J J J', 'K K K K', 'L L L L', 'M M M M', 'N N N N', 'O O O O', 'P P P P', 'Q Q Q Q', 'R R R R', 'S S S S', 'T T T T', 'U U U U', 'V V V V', 'W W W W', 'X X X X', 'Y Y Y Y', 'Z Z Z Z'.

OVER-THE-COUNTER Nasdaq national market, closing prices

Table of Over-the-Counter Nasdaq national market closing prices. Columns include Stock, Price, Change, and Volume. Includes sub-sections like 'A A A A', 'B B B B', 'C C C C', 'D D D D', 'E E E E', 'F F F F', 'G G G G', 'H H H H', 'I I I I', 'J J J J', 'K K K K', 'L L L L', 'M M M M', 'N N N N', 'O O O O', 'P P P P', 'Q Q Q Q', 'R R R R', 'S S S S', 'T T T T', 'U U U U', 'V V V V', 'W W W W', 'X X X X', 'Y Y Y Y', 'Z Z Z Z'.

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AMERICA

Dow finishes slightly up after early surge

Wall Street

AFTER a string of three daily declines, the equity market bounced back strongly yesterday...

One interesting piece of news yesterday was the announcement by Merrill Lynch that it adjusted its model portfolio, advising clients to cut their stock exposure...

In the stock market which would provide a fight to quality. Takeover stocks were again in focus yesterday...

\$314m or 71 cents a year earlier, a total which had included \$49m in deferred income tax benefits...



Wall Street drop saps spirit of Japan's investors

Tokyo

THE FRESH fall on Wall Street dampened enthusiasm in Tokyo yesterday and share prices slipped in thin trading...

Bond prices moved narrowly in the absence of new factors influencing the market. Dealers were concerned about possible rises in US interest rates...

William Dullforce looks at why volumes remain low in Zurich despite good fundamentals

Dollar fears keep foreigners and fund managers at bay

THE SWISS stock market has seen relatively low volumes over the past two weeks as foreign investors and domestic pension fund managers continue to stay away in force...

prices over two days just before Easter, as investors reacted to a weakening in the dollar rate. The sudden fall followed a slow but steady rally from mid-January...



index closed at 498.8. On Wednesday, investors reacted negatively to Pirelli's restructuring, and the price of the Zurich-listed Société Internationale Pirelli tumbled 12 per cent...

over the past 12 months, the participation certificates have tumbled by 10 per cent and the bears are down by 2 per cent.

March 18, has since slid back by 6 per cent. Good reports from Adia, Inspectorate and Surveillance have helped their prices to recover from the beating they took in October.

leading rates. The composite index, which was up about six points earlier, closed down 15.7 at 3328.7, on moderate volume of 25.5m shares.

Wall Street's drop for the third consecutive trading day sent investors to the sidelines, although consideration of an escalation of the US-Iranian confrontation in the Gulf faded.

The fundamentals include an economy that is in good shape, a strong currency, a series of corporate reports presaging better earnings prospects for 1988 than previously expected, and the relative cheapness of Swiss stocks.

The hopes of a return of foreign investors to help boost volumes have, ironically enough, been shattered by some Swiss companies' attempts to protect themselves against takeover bids and unwanted outsiders.

Zurich's response to the worst-anticipated US trade figures last week was more resilient, however, with the index losing only 1 per cent the day after the news, compared with the drop of close to 5 per cent on Wall Street.

Prices of Swiss bearer shares and non-voting participation certificates available to foreign investors have been more volatile than those of the registered shares, but have recovered some of the ground lost during October, but, compared with the 8 per cent rise in registered stocks

Interest has concentrated recently on metals and mechanical engineering stocks. The small metals sector has seen a 35 per cent surge over the past three months, based on recoveries at Aluminex and Von Roll.

Chemicals have lost 5 per cent since March 18 after climbing between 15 and 16 per cent from the beginning of the year. But it is banks, with a 9.5 per cent decline since March 18, that remain an investor's bugbear.

Australia

AFTER Wednesday's sharp fall, Australian shares picked up on local dollar, struggling to lower commodity prices and declines in other leading markets.

Singapore

SMALL investors dominated thin and uncertain trading in Singapore, where buying and selling alternated to leave prices mixed.

EUROPE

Transatlantic worries hit prices

CONTINUED fears about Wall Street hit the dollar kept a rein on bonuses around Europe, and most lost ground yesterday. But Paris rose as the trading month ended, writes Our Markets Staff.

THE STRONG start on Wall Street boosted international stocks in London, though volumes remained low. Roots came on news of a joint venture with Hoechst in the US.

The lead from New York outweighed a strong penny and increases in UK bank lending and money supply, leaving the FT-SE 100 index 5.1 better at 1,791.8.

takeover speculation, was suspended at Ft 246, up 80 cents, before announcing a 1987 loss of Ft 1.01m, slightly higher than expected. Analysts were surprised the dividend was held at Ft 7, seeing this as a move to placate shareholders before the crucial AGM.

THE WEAKER financial rand led to foreign buying of Johannesburg gold stocks, which helped to pick prices up from their day's lows.

South Africa had cleared the first Congressional hurdle. Rerly selling of golds had been prompted by a weaker bullion price as the market opened.

SOUTH AFRICA

Hong Kong

WEAKNESS in Tokyo and New York undermined sentiment in Hong Kong and left share prices lower across the board in quiet trading worth about HK\$750m.

FT - ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Table with columns for National and Regional Markets, Thursday April 21 1988, Wednesday April 20 1988, and Dollar Index. Rows include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA, Europe, Pacific Basin, Euro-Pacific, North America, Europe Ex. UK, Pacific Ex. Japan, World Ex. US, World Ex. UK, World Ex. So. Af., World Ex. Japan, and The World Index.

FT FINANCIAL TIMES CONFERENCES WORLD GOLD CONFERENCE Vienna, 13 & 14 June, 1988. This leading international conference is to be addressed by another powerful panel of speakers: Mr Robert Guy, Minister Ferdinand Lacina, Mr Eugene Uljanov, Mr Timothy S Green, Mr Rolf Willi, Mr Robert Strebel, Mr Don Mackay-Coghill, Mr Bora Nisic, Mr Itsuo Toshima, Mr Alfred Schneider, Mr Fritz Plass, Mr Tom Main, Mr Brian Marber, Ms Amy P Gassman, Mr Gordon R Parker, Dr Chris L Stals, Mr Guy Field, Mr Dennis A Suskind, Mr John Curran, Mr Julian Baring. A FINANCIAL TIMES INTERNATIONAL CONFERENCE in association with THE BANKER. Official Carrier: AUSTRIAN AIRLINES.

# FINANCIAL TIMES SURVEY

The prospect of a free market in Europe creates uncertainty; the US property/casualty sector, on the

brink of a downturn, faces demands that it share the cost of clearing toxic sites; and Aids is changing mortality patterns. The world is suddenly less serene, observes Nick Bunker.

## Step by step to Europe

IT OUGHT to have been a simple story. By the spring of last year, it was clear that 1987 would be the best year the world's leading insurers had seen since the late 1970s, and that 1988 could be better still.

First, in Europe there is now a very real possibility that 1989 will see the creation of a truly free market in financial services - including insurance - with as yet uncertain consequences for the industry.

Second, the vast US property/casualty market has suddenly entered the first stages of a cyclical downturn. It has dented severely the profits of major insurance brokers, and will start to have an impact on underwriters' earnings soon.

Third, the prospect that Acquired Immune Deficiency Syndrome (Aids) may radically

change patterns of mortality in the developed world has led to vigorous debate within the life insurance industry about ways of assessing, then tackling, the financial implications.

Finally, the US property/casualty industry is now facing demands that it should help meet the huge cost of cleaning up the nation's toxic waste sites.

None of these issues was present in so stark a form a year ago, as insurers in the world's major markets basked in steadily improving results.

In the US, property/casualty insurers had enjoyed nearly three years of strong premium growth, fuelled by rising prices. In 1986, the industry's pre-tax profits reached \$5.2bn - representing a massive recovery after the huge losses the industry had suffered earlier in the decade. Last year was to be even better, with pre-tax profits reaching about \$3.7bn.

In the UK, the picture was similar, and remained so, in spite of October's equity market crash and the hurricane that ravaged Western Europe, causing insured losses of about £1bn in England alone.



## Insurance and Insurance Broking

still reaping benefits from the remarkable growth in life assurance premiums that has characterised Europe in the mid 1980s, against a background of rising equity markets and greater personal wealth. In the UK, for instance, new life business grew by 25 per cent to £12.1bn in 1987 alone.

The unexpectedly swift progress towards a unified financial services market in the European Community has injected new uncertainty into this tranquil picture.

For 20 years, liberalisation of European insurance had been li-

tle more than a tantalising dream. Then, last December, the EC's Council of Ministers suddenly agreed on a draft directive providing for free cross-border competition for the insurance of large industrial risks.

There is still a great deal of work to do at EC-level - it will be at least 1989 before the European Commission proposes similar directives freeing up trade in life assurance, or motor and household insurance - but insurers have been put on notice that 1992 is approaching.

It is disturbing then, that, so far, very few insurers appear

fully committed to the EC as their main market, or ready to react to the challenge of free but harsher competition which 1992 may bring.

Take Britain's big composite insurers. One or two have sizeable operations on the ground in Europe. Guardian Royal Exchange, for instance, gets about 15 per cent of its £1.6bn annual non-life premiums from West Germany, via Albingia, a Hamburg-based insurer.

Yet for the most part - often with good reason, in view of the heavy regulation which characterises European markets - Brit-

ish insurers have concentrated on building a strong home base in the UK, while their biggest overseas subsidiaries have been located in North America. They have tended to function in Europe, on the other hand, via relatively small, weak branch outposts.

Some observers believe that this kind of corporate structure will need to change radically after 1992. Mr Jason Frangoulis, chairman of the British Insurers' International Committee, has argued that the traditional structure of large companies with extensive home bases and small

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Illustration: John Batten

autonomous offshoots abroad will undergo "drastic realignment". In a more competitive environment, they will have to build up a strong presence in each member state, equivalent to their organisation at home. Big acquisitions of insurers abroad, Mr Frangoulis points out, are a quick way for insurance companies to re-deploy their resources rapidly to meet this goal.

The proximity of 1992 is already prompting some insurance companies to reappraise their approach to Europe. Last December, American International Group (AIG) - the only truly global US property/casualty insurer - said it was reorganising its continental European operations into a new Paris-based company, UNAT, specifically in response to the impending creation of a genuinely unified Common Market. This was intended to eliminate fragmentation of its operations across national boundaries. It would "enable multinational corporations to deal with a single European company for international insurance coverage," AIG said.

There have also been signs of an acceleration of mergers and acquisitions. Two recent cases stand out.

Last September, Paris-based Compagnie du Midi defeated the New Zealand entrepreneur Sir Ron Brierley in a takeover battle for Equity & Law, the British life insurance company.

The acquisition was part of Midi's avowed aim of building a pan-European insurance group, and reflected a feeling among French insurers that they are too small to stand alone in a tougher world post-1992.

Then, on March 23, Skandia, the biggest Swedish insurer, said it was taking a 20 per cent equity stake in Vesta, the Norwegian insurer. They have struck a deal allowing Skandia to move up to a 50 per cent stake two years from now. This was widely seen as part of Skandia's strategy of strengthening itself in the Nordic region in the run-up to 1992.

It is easy, however, to over-estimate the significance of 1992 and all that it will mean. The hard fact is that, for better or worse, even long after 1992, the notoriously cyclical fortunes of the US property/casualty market will probably remain the single most important factor governing the destiny of the world insurance industry as a whole.

This is partly a function of the sheer size of the US, in 1985, the most recent year for which statistics are available from the Swiss

Reinsurance Company, the US, with \$185.7bn of insurance premiums, accounted for 54.3 per cent of the non-Communist world's property/casualty market.

It also reflects the complex interdependence between US insurers and many of their European counterparts.

Not only are many major European insurers - including Lloyd's of London, Royal Insurance, Commercial Union, General Accident, Zurich Insurance, and the Winterthur group - heavily involved with the direct underwriting of US risks. US property/casualty companies have also historically been the world's biggest customers for reinsurance, often purchased from Lloyd's, or from the major European reinsurers. It has been estimated for instance that in 1985 AIG - an unusual case, admittedly - was by far the biggest reinsurance buyer in the world, accounting for about 3 per cent of total reinsurance premiums of \$40bn.

As a result, then, adverse developments in the US may send tremors through the world's insurance community as a whole. And the past 18 months have yielded many bad omens about the state of the American market.

First, as early as last spring, signs began to appear that US property/casualty insurers were cutting the prices they charge for so-called commercial lines of insurance for business customers.

This was very disturbing, because it appeared to indicate that another crippling price war might be on the way in the US after only two-and-a-half years of premium rate increases. At first, however, the renewed price competition was apparently confined to property risks. But by the end of the year, the evidence was quite clear that the rate-cutting had spilled over into casualty business as well. It has signalled the start of another cyclical downturn in insurance pricing for commercial lines in the US.

Second, in the last six months, industry leaders have begun to speak out in public much more loudly than before about the threat posed to insurers by claims arising from environmental pollution by toxic waste.

The issue has been lurking in the shadows since 1980, when the US passed the so-called Superfund law. It requires the US Environmental Protection Agency (EPA) to clean up sites contaminated by chemical waste, and recover the cost from the polluters.

Continued on page 4

## THE COUNTDOWN HAS BEGUN...

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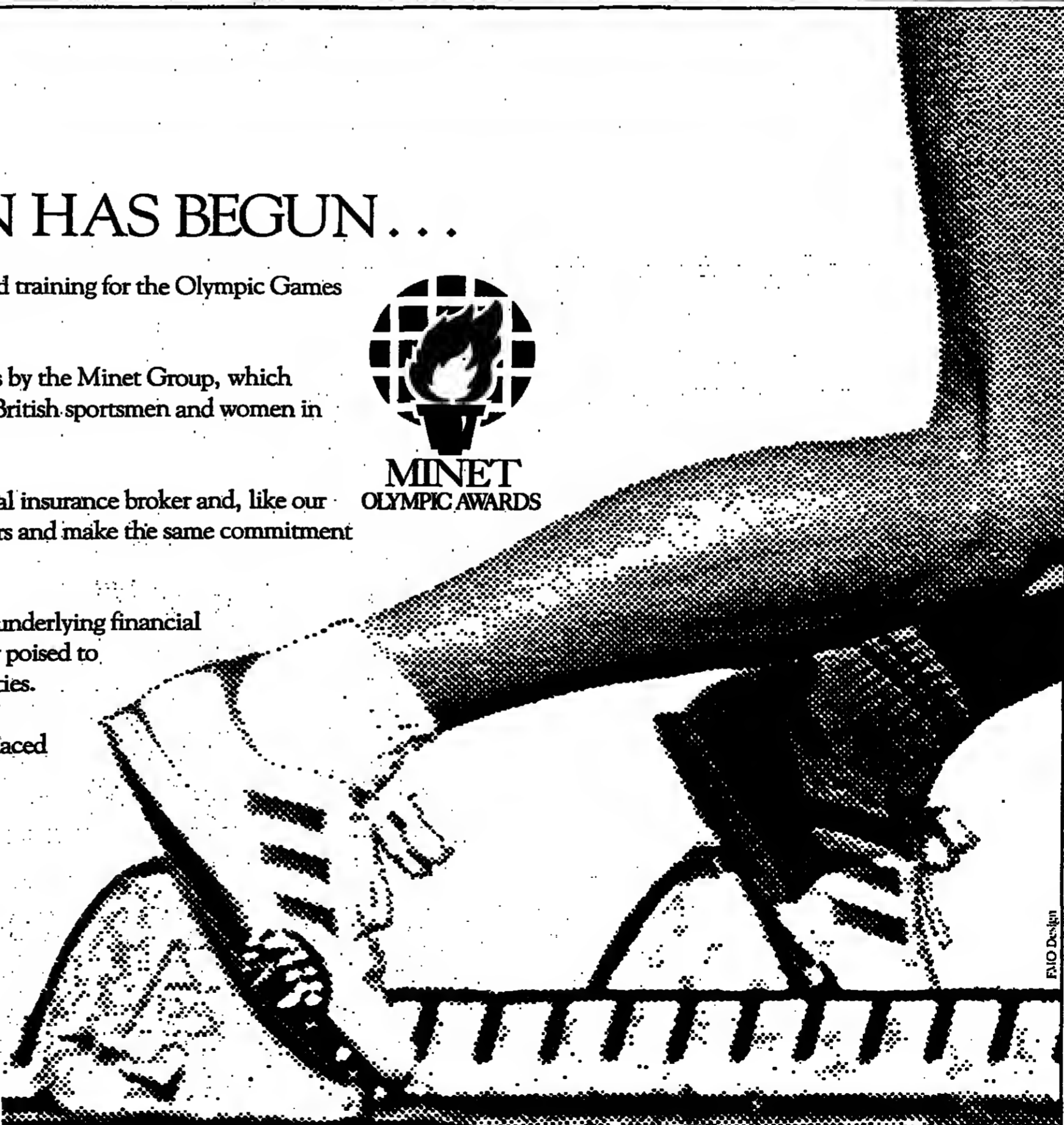
Here's hoping our athletes will be equally well placed this September.



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**INSURANCE 2**

**Problems facing London's big brokers must be seen in perspective**

**Small players may thin out**

**IT HAS** become just a little too easy to be pessimistic about the prospects for London's biggest insurance brokers - Sedgwick, Willis Faber and C.T. Bowring, an arm of New York-based Marsh & McLennan.

On the one hand, the negatives surfaced clearly in annual results announced last month by Willis and Sedgwick, which showed a 19 per cent drop on Willis's pre-tax profits to \$68.5m and a 25 per cent fall at Sedgwick, which reported \$101m pre-tax.

They also helped account for this year's friendly takeover of Minet Holdings by St Paul Companies, the Minnesota-based insurance group. Mr Ray Peitch, Minet's chairman, said that the deal was a need for stronger financial underpinning which St Paul could supply.

But the gloom can be overstated, though it has to be acknowledged.

On the debit side, there has been a combination of circumstances which have not occurred together since the early 1980s. The US dollar has been weakening steadily, hurting the brokers because the dollar is the international insurance currency.

At the same time, price-cutting by underwriters in the US has hurt the commission income of Sedgwick especially, via its impact on the group's US subsidiary Fred S. James.

In turn, premium rates have begun to fall sharply in the Lloyd's-led London marine and aviation markets, similarly squeezing commission revenue for brokers.

Mr John Parton, chairman, of the Institute of London Underwriters, which represents insurance companies, has warned that the next couple of years will be "very difficult indeed" for marine and aviation insurers. War stories are rife of major airlines obtaining 50 per cent reductions in their premiums. This leads to baffle outsiders, given that 1987 had the second worst airline accident record in history, with 20 western-built airliners lost, but brokers say it is happening nevertheless.

The rate-cutting has spilled over into some areas of the reinsurance market, too, though the losses caused by last October's hurricane kept premiums for UK property reinsurance from falling during January 1 renewals, and are likely to lead to increases at the end of this year.

One example of the pressure on pricing is that Alexander Howden, the Lloyd's broker, fought hard in the December/January renewal season and won 53 new marine reinsurance contracts, but had to budget for static income growth from marine reinsurance because of rate reductions.

Second, there have been signs of management strains at big brokers which have used mergers and acquisitions as an engine of growth into the industry's international first division.

Mr John Parton, chairman, of Sedgwick, for instance, felt the need last month to call in Mr David Rowland, former deputy chairman of Willis Faber, to become its new chief executive. He has Willis after nine rather troubled months following its merger with Mr Rowland's former company, Stewart Wrightson - which led to extensive staff defections by former Wrightson brokers.

Third, there have been some longer-term concerns about the future role of the big brokers. The last few years have seen clear signs of exasperation among some big commercial buyers of insurance, in both the US and the UK, about the violent cyclical ups and downs in premium rates which make it hard for buyers to budget for their insurance costs.

If this continues, then big buyers may increasingly turn away from the conventional insurance market and seek alternative ways of managing their risks, and funding necessary provisions against claims.

Fourth, the international broking sector has already slimmed down substantially, via 10 years of mergers and acquisitions, to the point where big-cost savings are achievable, partly driven by information technology.

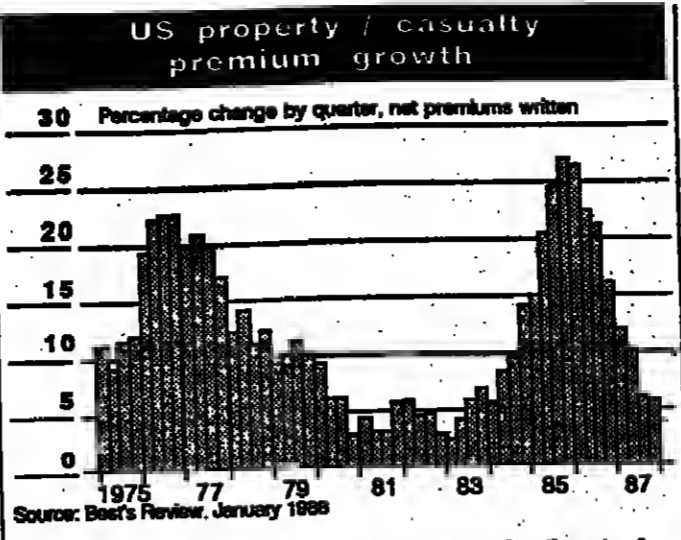
Willis Faber, for instance, has already \$10m of cost-savings in 1988, arising from its merger with Wrightson.

From this point of view, the present problems for London-based brokers could be a salutary shock forcing them to put their houses fully in order.

There is, on the other hand, apparently room for more rationalisation among smaller brokers in London. For instance, FWS Holdings, the Lloyd's broking group recently announced plans to buy Harrington, Austin, the aviation reinsurance intermediary, and Windsor Securities, a string of acquisitions of small Lloyd's brokers in 1987.

Some of the reasons for rationalisation at the smaller end of the sector were pointed out in a recent Business Ratio Report on Insurance Brokers. "On the cost side of the equation, brokers' expenses have risen sharply and in some cases faster than broking income," it said. "The major part of these expenses has been salaries, and some London-based offices have found wages rising alarmingly."

The number of players in the market is likely to be reduced over the next few years as the pressure on some of the less able, smaller-sized brokers becomes intense.



**THE US insurance industry is** quite clearly heading into one of its cyclical downturns, judging from this graph, published by A.M. Best, the New Jersey-based insurance rating agency.

Between mid-1984 and late-1986, premiums grew strongly, driven by big price increases charged to business customers which buy so-called "commercial lines" insurance. But since early 1987, the rate of premium growth has dwindled away month-by-month, suggesting that insurers were competing more fiercely with each other and either slackening off their price increases or making actual rate reductions.

One of the most disturbing factors here is that the rate of growth in premiums written has now probably fallen below the rate of inflation in claims costs paid by insurers.

This graph is controversial. When it was printed in Best's Review in January 1988, it set alarm bells ringing in stockbroking houses in London, because it appeared to show a repetition of the rate-cutting that had led to terrible losses for US insurers in 1983-4.

The London stock market responded to the graph by marking down the share prices of Royal Insurance and Commercial Union, the two British insurers with the biggest exposure to US commercial lines. NB

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The number of players in the market is likely to be reduced over the next few years as the pressure on some of the less able, smaller-sized brokers becomes intense.

Mike Banker

**Broking in Europe**

**Open market a challenge**

**MAJOR EUROPEAN insurance** brokers are cautiously optimistic about their growth opportunities after European trade barriers break down in 1992.

They hope more business will come in, because corporate clients will be able to place insurance programmes across borders once the freedom of services in non-life insurance is passed.

Also, there could be a growth in brokerage revenue as a result of corporate clients expanding across European territories, they say. The clients will need centralised European insurance programmes to cope with the liabilities in each European country.

However, brokers agree that it is too early to tell how widespread the growth in brokerage revenue will be. Corporate insurers may opt to stick to local markets, despite the trade barriers breaking down, which would slow down growth in brokerage revenue. Also, some local insurance brokers may find that they are in competition with buyers of other countries for local business.

"We welcome very much the opening of the insurance markets," said Mr Maarten J.F. Rudig, director in charge of international activities for the largest Dutch insurance broker, Erdig-Groep, in Rotterdam. "It is a repeat development for industry to use independent brokers in Europe, so there are still opportunities for the future."

"You will see more link-ups with corporations merging across borders and they will need brokers because they will think about the liabilities and call in a professional broker. It is always a client-driven service."

However, Mr Rudig added: "There will clearly be more choices, but the client may choose his local companies. So, the broker must show him the choices."

"Additional business is dependent on our clients," said Mr Walther Kiep, vice president of Gradmann & Holler AG, in Frankfurt, West Germany. "More companies will invest in European countries than in the past, (such as) in Spain and Portugal. Where they go, we will follow, in that way we will see an expansion of our business."

Mr Kiep added, however: "German enterprises are conservative and some of them will hesitate to insure their risks with foreign insurers."

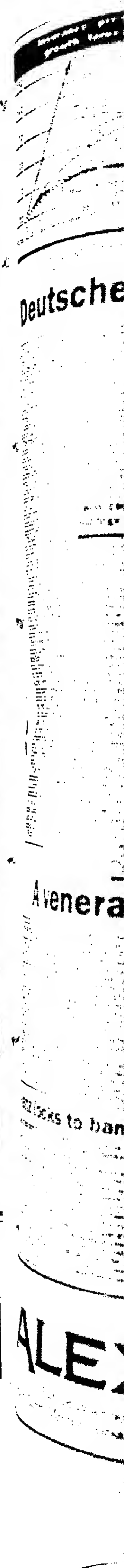
"There is an opportunity for brokers who are in European insurance broking networks," said Mr Yvonne Bollet, general manager of France's largest insurance broker, Faugere & Juteau, in Paris. But he added: "France could be considered a hunting territory for hunting predators, because it is a big market and is not as united as is necessary."

At the moment, the European Parliament is reviewing a draft directive on freedom of services in non-life insurance, which was passed by the European Commission on December 15. As much as 80 to 90 per cent of all premiums currently written in EC member states could be affected by it.

The draft directive allows insurers in one EC state to cover large risks based in another EC state, as long as the insurance buyer meets three criteria:

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**Profile: Allianz**

**Banking on a quick riposte**

**SLEDDING** Allianz, Europe's biggest insurance group, have had to look so many ways at once. Yet its present vigilance does not stem from any major problems in the business, which is doing very nicely at present, nor from the threat of competitors breathing down its neck.

Despite a small deterioration in non-life underwriting, as a result of a rise in large industrial claims, Allianz has forecast that its net earnings this year will be similar to the DM363m of 1986. Moreover, any potential rival would have to push hard to keep up with Allianz's premium growth. Last year's premium inclusion of DM4.5bn in premiums from Rhinone Adriaclia di Sicurtà (RAS), the second biggest Italian insurance group, in which Allianz gained a majority stake in 1987, helped to increase its total 1987 premium to DM326.5m against DM292.2m in 1986.

In January, moreover, the company laid the cornerstone for what may be a wider international co-operation in the longer term, with its agreement to renege Tokio Marine and Fire Insurance, Japan's biggest general insurer, in Italy. Though small in itself, the deal could be the first step to a network of joint representative arrangements between the two groups in Europe and the Far East.

What then is worrying Allianz? First - and probably least important - is the perennial question of a US acquisition. The company has been on the prowl for a sizeable US insurer so long that the move has almost become industry lore.

But if comments last year by Mr Wolfgang Schieren, Allianz's chief executive, were anything to go by, a US buy may be a little less prominent now, despite the stock market crash and the rise in the value of the Deutsche Mark, which would make any purchase cheaper now. Instead, further expansion in Europe may have gained priority.

At home, the key issue is no less than the future relationship between the country's insurers and banks. Last year's decision by the Aschener und Münchener (A&M), Germany's fifth biggest insurer, to buy a controlling stake in Bank für Gemeinwirt-

schaff (BfG) from the country's trade union movement may just have been coincidental, but it focused attention on the present fluidity in the financial services industry. Some divisions between banks and insurers have already been eroded, while many of those that remain look shaky.

Above all, there is the strong likelihood that Deutsche Bank, Germany's biggest bank, will soon move further into insurance, either by buying an existing group, or - much more likely - by developing an internal insurance.

Mr Hilmar Kopper, a member of its managing board, recently admitted the subject was being given much thought by the bank's top management, while Mr Alfred Herhausen, its chief executive, last month gave an eloquent list of reasons underlying the bank's deliberations.

The decision, which would involve life and pensions insurance in particular, has not yet been taken, and will not come in the first half of this year. But if, as seems likely, the bank goes ahead, it would trigger an unprecedented upheaval in German insurance.

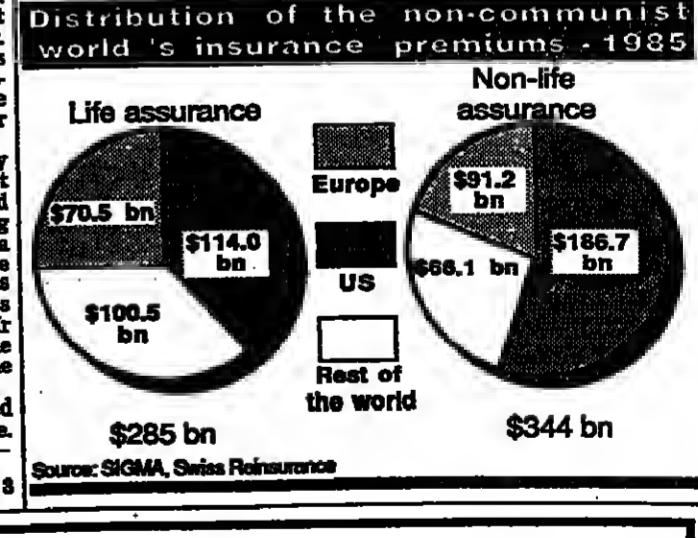
For the move would go much further than the bank's decision in late 1983 to introduce a savings plan linked to a life insurance policy, which resulted in sales of 100,000 policies - worth DM23m - the following year. That step alone triggered suggestions that Allianz might react by developing into banking, eventually amounting to very little, though all insurers have gradually been widening their range of financial services.

Such reticence is less likely this time. There is little doubt that Allianz is thinking hard about banking. On an ascending scale of possible reactions to a fully-fledged move by Deutsche Bank are a swift transfer of its considerable banking business away from the bank - where Mr Schieren is vice chairman of the advisory board - to a full scale banking initiative of its own.

That possibility has excited German pundits greatly of late. All is hypothetical at present -

Continued on page 8

Stacy Shapiro  
 International Editor,  
 Business Insurance magazine



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INSURANCE 3

UK non-life insurance

Motors take a direct route

QUIETLY, WITH little attention from the outside world, Britain's private motor insurance industry has become a testing-ground for experimentation on the marketing of non-life insurance.

This is happening against a background of greatly improved trading conditions for motor underwriters, who saw in 1987 their first real recovery in profitability since 1983-4.

"The outlook for 1988 is, to say the least, encouraging," says Mr Steven Bird, insurance analyst with Smith New Court.

There have been several years of premium rate increases - averaging about 19 per cent in 1987 and 18 per cent in 1986 - and Mr Bird expects that, even in 1988, they will average 10 per cent. In addition, there has been either a slackening in the rate of increase of claims frequency, or a genuine decline.

At Eagle Star, for instance, claims frequency dropped marginally from 24 per cent in 1986 to 23.77 per cent last year. "Most insurers' claims frequency for 1987 would be down, if you exclude increases in windscreen claims," says Mr Terry Dennett, Eagle Star's motor manager.

Many insurers are likely this summer to try to deal with the mounting incidence of claims arising from broken glass by introducing compulsory £25 deductibles on windscreen and window damage claims.

For established insurers, though, the arrival in the last few years of a new breed of "direct writers" - companies which sell straight to the public, via media advertising and telephone sales staff, cutting out the middlemen - is complicating

this optimistic picture. The best-known examples of the new direct writers are The Royal Bank of Scotland's Croydon-based Direct Line, and The Insurance Service, which was launched in January by Royal Insurance. They are poised to compete vigorously with traditional insurance companies that sell via brokers.

In one sense, of course, direct writing is old hat. Since the first motor insurance policies were written in the early 1900s, motorists have been able to go straight to the insurer to buy cover. "An astonishingly high number still do so," says Mr Bill Sclars, group personal insurance manager for Sun Alliance. Current best estimates are that in spite of the growth of the big intermediaries - primarily the AA and Swinton - only about 50 per cent of the market is brokered.

Furthermore, the composites themselves have launched a range of direct marketing initiatives over the last decade. Sun Alliance, for instance, started doing so in the mid-1970s, using media advertising and direct mail; and its "50+" motorists package is now well entrenched in the market.

But there are significantly new aspects to the approach adopted by the new direct writers.

Apart from saving money by cutting out brokers' commissions, the insurance service, for instance, also aims to keep expenses low by avoiding the costs of maintaining a distribution network of branches and inspectors. These savings will allow it to compete heavily on price with established insurers, according to Mr Richard Hill, its

managing director. The objective is to save 80 per cent of eligible motorists at least £10 per annum.

In theory, The Insurance Service's cost savings should be substantial. It canvasses for customers via newspaper and television advertising, and deals with motorists nationwide over the telephone from a single floor of an office block in Bristol. At present it has 80 staff, including 30 so-called "insurance advisers" who man the telephones, and issue quotations via a computer system which automatically rejects unsuitable risks. Mr Hill says the closest comparable computerised direct writing service is at Philadelphia-based Colonial Penn Group, in the US.

One area of additional cost-saving which has emerged is that more than 40 per cent of policyholders pay their premiums by credit card over the telephone, which speeds up cash flow and should enable The Insurance Service to function with a relatively small accounts department.

So far, its executives appear pleased with its success. By late March, after three months in business, they had 5,000 policyholders and had already handled 70 claims.

There are sceptics, nevertheless. First, they think the new direct writers have underestimated the administrative burden they will face from claims handling and from servicing existing policies.

Mr Peter Ablett, the Automobile Association's general insurance marketing manager, points out that in addition to sending out renewal notices AA Insurance Services - the UK's biggest motor broker - finds it in con-

tact with 75 per cent of its motor policyholders in any one year about claims or routine matters such as changes of address. "Motor insurance is very time-consuming," he says. "There's no easy money to be made. It's all hard graft."

The second point made by sceptics is that direct writers face very big advertising costs. The Insurance Service does not disclose its outlay, but one rival believes that Mr Hill and his colleagues must have spent about £400,000 on television advertising in just the first six weeks of this year.

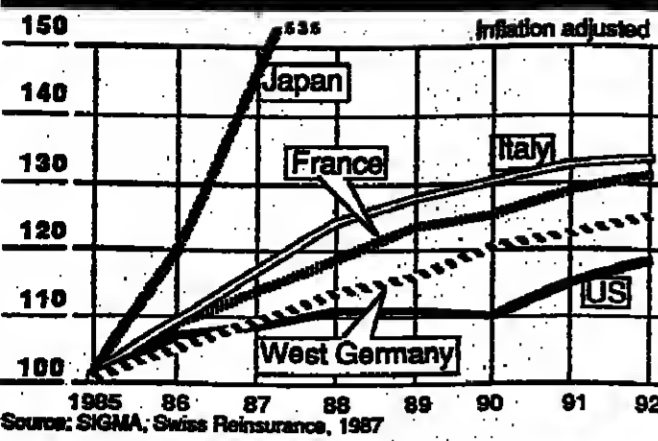
Neither point is totally conclusive, but the close attention with which leading insurers and brokers are watching both Direct Line and The Insurance Service suggests that they fear that the new direct writers may prove to be an important force. It is hard to say just how important, but even on the evidence available so far they appear to be making steady encroachments at the margin.

Yet the direct writers are not the only factor that could alter the industry's marketing patterns. The other is the impact of information technology, especially in the opportunities it opens up for "networking" connections between brokers and insurers. At the moment, electronic data interchange networking between brokers and underwriters is still in its embryonic stages - via incipient networks such as BROKERNET - but it could prove to be the biggest non-life insurance marketing issue of the next decade.

Nick Barker

JAPAN SOARS, US IS SLUGGISH

Insurance premium growth forecasts



JAPAN has by far the fastest growing insurance sector in the developed world, according to the Swiss Reinsurance Company. Italy and France come next, while in the US, insurance premium volumes are expected to show only relatively sluggish expansion in real terms over the next five years.

The main engine of growth in Japan and France is the rapid development of life insurance as a savings medium, while Italy is also showing big increases in non-life insurance business.

Italy - still a relatively under-insured nation, by European standards - is perhaps the most intriguing case.

Life business is expected to grow from representing 15.5 per cent of total premiums in 1986 to a peak of 18 per cent in 1988, then drop back to 16.5 per cent by 1992.

Motor insurance will retain its status as the dominant branch of the Italian insurance industry, though, and will probably account for 48.7 per cent of total business in 1982 (1986: 49.1 per cent).

The graphs and forecasts come from a recent study by SIGMA, the Swiss Re's research department. NB

able stakes in big industrial groups - encouraging the business to come their way - or are so entrenched that few expect existing relationships to shift.

But what will affect German insurers is the European Commission's Seventh Directive, on consolidation and equity accounting of subsidiaries, which is now gradually being applied; and its Fourth Directive, on the disclosure of holdings and on fair market values, which has been agreed in principle.

The latter, in particular, will affect the Germans in view of their current market practice of valuing equity holdings at their lowest historical levels. That has prompted leading insurers to value their huge stakes in industry and in each other at realistic levels.

Moreover, the change will illustrate more clearly than ever the role of German insurance stocks as proxies for the whole market, according to Mr Bob Gullett, of stockbroker Fox-Pitt, Kelton. But it will also focus even greater attention on the poor yield performance of German insurance shares.

Among all this change, even previous alliances are being tested. The long-remembered split between Allianz and the Munich Re, which jointly own Allianz Leben, are being given greater credence. The suggestion that Allianz will sell its holding in Victoria Leben to reinsure for Munich Re's core, its stake in Allianz Leben, and that the two giants will then go their own ways, is nothing new.

But some observers think there is more to it now - not least because of the substantial reinsurance business being done for the Allianz group by Allianz Holding.

Both Allianz and the Munich Re deny the talk. But, even if the realignment were to come about, few would expect them to break apart. After all, despite all the talk of change, this is still the discreet world of German insurance.

Haig Simonian

In West Germany, the industry is in a state of flux

Deutsche Bank on the brink

OUTSIDERS OFTEN see the West German insurance market as one of the most heavily protected, and almost certainly the most conservative, in Europe.

But a string of recent developments, notably the prospect of the European Community's planned free internal market in services in 1992, means German insurance has entered into a state of flux.

The pressure is not just from Brussels, but domestic too. In particular, the long-established ground-rules between banks and insurers appear to be breaking down. A number of banks are poised to set aside today's co-operative marketing deals, whereby they sell insurance companies products from their branches on commission, and push into insurance more aggressively.

The Aachener und Münchener, the country's fifth largest insurance group, set the ball rolling last year with its acquisition of a majority stake in Bank für Gemeinwirtschaft. Co-operation between the two has progressed. Similar products offered by both companies have been rationalised in favour of the stronger partner, while staff are being retrained, particularly at the insurer, to market joint products.

But the most important development has yet to come. Deutsche Bank, the country's biggest bank, appears to be on the brink of moving into insurance. Mr Alfred Heurich, its spokesman (chief executive), emphasised last month that a decision had not yet been taken, and pleaded for the situation to be "undramatised". But if an initiative comes, as seems highly likely, it will overturn existing relationships, notably that between Allianz, Europe's biggest insurer, and the bank.

The cosy world of German insurance, with its cross shareholdings and traditional understandings between insurers themselves and with other members of the financial community, looks set for upheaval. What has happened, and what is yet to come? With 1992 in the background,

realignments in holdings between insurers have been particularly prominent.

Foremost is the plan, announced in November, of the country's trade union holding company to sell a majority stake to Volksfürsorge, the sixth largest insurance group, with annual premiums of DM4.8bn, to Deutsche Genossenschaftsbank (DG Bank) - the umbrella for the country's co-operative banking movement. The decision followed the breakdown of talks with Germany's savings banks.

DG Bank and the co-operative movement already own a majority in the R+V's general insurance operation. Together, R+V

Vericherung increased its stake in Victoria-Gilde, a middle-sized health group, to 74.9 per cent from its previous 48 per cent.

German insurers have been almost as active abroad, again with 1992 no doubt in mind. Most moves have been in re-insurance, however, with Aachener Rückversicherung buying the Groupe Mutuelle Française d'Assurances late last year, and most important, Münchener Rückversicherung (Munich Re) making a rare foreign purchase with its acquisition of Neue Ruck in Geneva.

There have also been some new developments on the product side. In particular, the public appears increasingly interested

With 1992 in the background, realignments in holdings between insurers have been prominent

and Volksfürsorge will give DG Bank control over Germany's second largest insurer after Allianz, with some DM7.5bn in premium income.

However, negotiations over the sale are going very slowly, amid suggestions that the trade unions are dragging their feet. Why is unclear. Hagging over the price is one factor. DG is thought to have offered DM1.6bn for 50 per cent plus one share. But there are also hints of concern among the unions about the potential conflict between a sale to DG Bank and their continuing minority stake in BfG.

Realignments were also evident with the sale in July by A&M of its 37.2 per cent stake in Nordstern to Winterthur, Switzerland's second biggest insurer. The deal netted A&M well over DM400m, and completed its strategy of concentrating on insurance through its own operations rather than cross-holdings.

That may be a model for the industry as a whole in time. Meanwhile, Winterthur, which had only one large branch in Germany, has gained a sizeable, if expensive, foothold in Germany. Further movement came at the end of last year, when Victoria

in fund-linked life insurance policies. Nürnberg Leben has seen an enormous growth in this field, with its investment holding rising by 165 per cent to DM1.6bn in 1987.

Similarly, the German operation of Equity & Law, the UK group now owned by France's Compagnie du Midi, has just launched its highly enterprising Variable Investment Policy (VIP).

VIP, which is based on three funds of shares, bonds, or an international mixture - allows the customer to choose between maximum income, capital gain or insurance cover, and to change their wishes during the course of their policies. Such flexibility is common in the UK but shows revolutionary in Germany, and the company is expecting strong demand.

European Community regulatory and accounting developments are also beginning to have an impact in Germany. However, December's ruling allowing companies to insure major risks across national boundaries is expected to have relatively little influence, because there is much captive business in Germany. Major insurers either have size-

Profile: Equitable Life

A venerable niche player

THERE IS no insurance company to the world quite like Britain's Equitable Life. "There's all tried to copy us, but nobody has ever quite got it right," says Mr Sean Kinias, an assistant general manager of the world's oldest life insurer.

Founded in 1762, in the White Lion Tavern in London's Cornhill, The Equitable Life Assurance Society still cherishes its history. It has a portrait by Gainsborough of its first President, and a parchment with the first use of the word "actuary", the name the Equitable coined as the title for its first chief clerk.

Yet appearances are slightly deceptive. The Equitable, which

did new business worth £264.9m last year, is in many ways far younger than it looks. Its sales grew 20 per cent in 1987. It is generally regarded as one of the life offices well-placed to benefit from the advent of the new portable pensions allowed under the 1986 Social Security Act. And its senior executives are eager to see it expand into Europe, probably West Germany, to take advantage of the planned post-1992 free cross-border market in financial services.

In 1988 - a turbulent year for Britain's life insurers, including the introduction of a new system of self-regulation - the society makes a fascinating study of how

to decide on its strategy to face the EC's liberalised market as of 1992.

Much has been written, some wrongly, about the vulnerability of the lucrative German market to penetration by foreign - notably UK - insurers. Germans are highly insured, but pay far too much for their policies due to over-regulation and insufficient competition, the argument runs.

Mr Detlev Bremkamp, managing director of Allianz Europe, the holding company for all the group's European subsidiaries outside Germany, is quick to dismiss many of the standard points. He repeats the domestic

claim that opening up the market may endanger consumer protection, as smaller business clients, in particular, will not be able to compare conditions. Thus the cheapest (read foreign) policy may not be best, unless such clients understand the small print.

But there is little doubt that Allianz is still working on its European strategy. Expanding in neighbouring EC markets is the key. The fact that foreign premium income now accounts for 38 per cent of its total premiums shows that much has already been done.

Continued on page 4

Haig Simonian

Allianz looks to banking

Continued from page 2

and widely denied by the participants. But among the instruments at Allianz's disposal are its roughly 20 per cent in the Munich-based Bayerische Hypothek- und Wechselbank, Germany's sixth biggest bank and one of the country's most profitable and best run.

Probably the jewel in a number of other bank holdings is Allianz's smaller share in Berliner Handels- und Frankfurter Bank (BHF Bank) a highly-re-

garded institution specialising in investment banking and capital markets.

"The two banks are highly complementary. A recent suggestion that they might be joined, perhaps by Allianz, to combine, whether formally or in some loose pact, has been hotly denied. But the fact that such notions are even circulating gives some idea of the sense of change in the air.

Allianz's second challenge is international. The company, like counterparts elsewhere in the European Community, is having

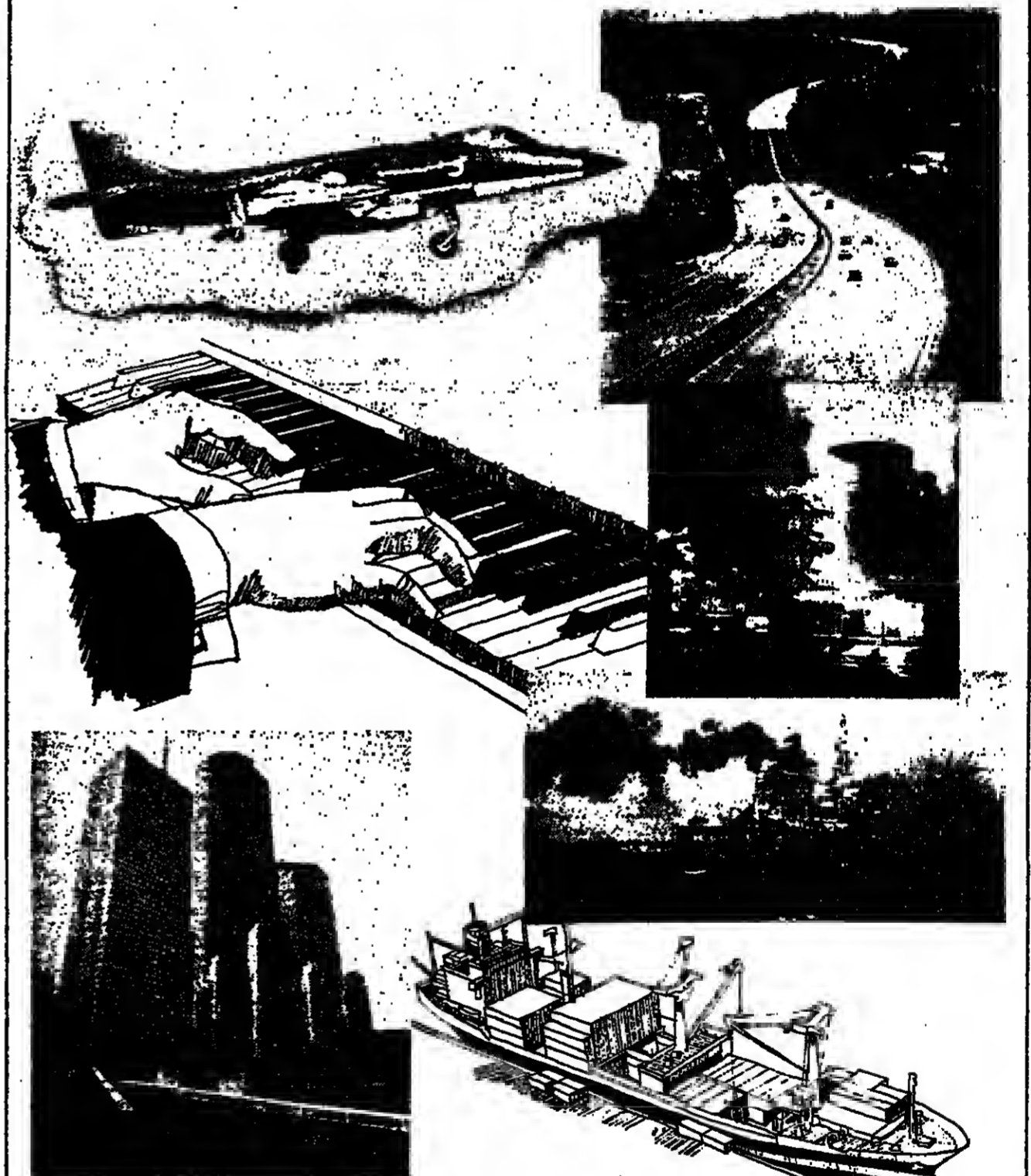
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INSURANCE 4

The Financial Services Act is about to change the nature of the savings war

Capital and mobility will tip the balance

THERE WILL be two key issues in the development of the UK's personal financial services industry in the next few years...

For several years, the financial services industry has been consolidating under the joint impact of some deregulation and a marked intensification of commercial pressures.

Next week, on April 28, a fresh element enters the equation when the Financial Services Act comes fully into force...

Even without the Act, financial institutions whose marketing and distribution systems centre on a tied sales force would be in an extremely strong position.

shop premises. Certainly, it will be necessary to improve the calibre of those sales forces...

In contrast, there has for some time been room for concern about the future position of independent intermediaries...

It is already radically altering the business relationships between the building societies, banks and life assurance companies...

The background to an understanding of its impact on the underwriting of its impact on the underwriting of its impact on the underwriting...

Four years ago, only 20 per cent of new mortgages were on an endowment basis...

cent - four-fifths of a \$35bn market worth \$35bn annually.

This has led inevitably to a drastic switch in life companies' new business volumes...

These developments have encouraged life companies to make arrangements to offer mortgage finance in their own right...

At the same time, the banks and building societies have been keen to work with the life companies in this respect as an additional marketing method...

Thus, in our view, there has been a spinning circle of activity set up in the mortgage market...

focused the strategic planning intentions of all the interested parties on securing their distribution systems.

The most visible symptom has been a rush into the estate agency field. This was started by Lloyd's Bank...

The jury is still out, however, on the efficacy of estate agencies as a means of selling financial services...

In our view, many of these commercial competitive tensions have been greatly aggravated in recent months by the implementation of the Financial Services Act...

First, the Act is clearly having a dramatic impact on both distribution systems...

Second, the stock market crash has had a great impact on the savings market.

In the past six months, unit trust sales figures have been abysmal compared with buoyant building society receipts.

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Third, life companies are experiencing growing pressure on bonus rates.

Meanwhile, in our view, the sovereign risk debt crisis has deteriorated in recent months...

capital gains on equities. And this new thinking is likely also to affect unit-linked and other life company savings policies...

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bet crash has made it far more difficult and expensive to raise new equity capital.

At the same time, we believe the increased interest of building societies in becoming quoted companies reflects the scale of capital pressures to which they are subject...

In conclusion, capital pressures have intensified for all the players and have been aggravated by the stock market collapse...

But there is room for anxiety to any case as the way banks, insurance companies and building societies are concentrating so heavily on personal financial services...

John Glinaris, Financial Services Analyst, Banque Paribas Capital Markets

The Savings War, by John Glinaris, published in April 1988...

Lloyd's is 300: Nick Bunker offers his personal diagnosis of current problems

Time to reduce exposure to the US

"The long nightmare is over" - Mr Peter Miller, former chairman of Lloyd's, speaking last year about the PCW affair

"There'll always be an England, but there'll always be a Lloyd's" - Mr Miller says at the first Lloyd's 2000 conference, May 28 1987

A SEA-CHANGE occurred to the affairs of Lloyd's in 1987, but its implications are only gradually becoming clear to the outside world.

Lloyd's has emerged in the past 12 months from five years of crisis management. During those years, the market's authorities were preoccupied with two tasks.

Now - as Lloyd's celebrates its thirtieth anniversary - other questions have been coming to the fore.

There has been an acceleration in the relatively stagnant marine insurance business - has been recognised in Lime Street.

On the one hand, there has been a process of creeping deregulation in which Lloyd's has gradually abandoned its veto on insurance companies owning Lloyd's brokers.

There have been attempts to find ways of closing the gap that this can introduce between underwriters and the outside world.

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Aids

A pointer from Zurich

FOR DECADES life insurance actuaries and underwriters on both sides of the Atlantic have operated under conditions of improving mortality.

Now that Zurich Life Assurance has been the first life insurance company to take action, announcing last week that it was as much as halving its term rates for men, other life companies are certain to take similar action over the next few weeks.

Research by both US and UK actuaries into the potential numbers of AIDS deaths over the next decade shows some frightening figures: a cumulative 1.6m in the US by the year 2000 if infection continues at the present rate, and as many as 80,000 in 1988 in the UK.

Life companies can do nothing about AIDS claims from their existing portfolios but must meet the cost out of their reserves.

Since the progress of the disease in the US is further advanced than in the UK, the UK life companies were given early warning by the US experience.

Life companies cannot estimate a particular mortality risk by underwriting and this is certainly so with AIDS.

Finally, life companies are seeking to limit the amount of death risk they carry, passing on as much as possible to the life assessors.

Then there are indications that life companies are being much

tougher over payment of early death claims. Whereas, previously, death claims within two years of a policy's being taken out would be paid with little investigation, claim managers are now prepared to seek further information if there appear to be doubts about the validity of answers to questions on the proposal form, and to repudiate a claim if they are satisfied that there was non-disclosure on an AIDS-related death.

So far, in the UK, the number of AIDS-related death claims experienced by life companies has been small - well within the limits that actuaries would expect.

The embarrassing nature of AIDS puts underwriters in a delicate position. To underwrite adequately, they need to ask questions about a person's life style without, in many cases, being able to check the validity of replies without a detailed medical examination.

The position is not helped by the attitude taken by the British Medical Association regarding life companies seeking medical information from applicants.

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A venerable niche player

Continued from page 3

full-time professional intermediaries, so it uses a 200-strong force of representatives. They are remarkably effective. In 1987, they sold new business worth \$264.9m in premiums, or \$249,000 per head. Some 3,750 self-employed salesmen represent Allied Dunbar, the most successful unit-linked life company, but they produced only an average of \$213,670 each.

The Equitable's high productivity is matched by its low expenses. In 1985-6, its entire sales and administrative costs swallowed up only an average of 9.02 per cent of premiums. By contrast, at Standard Life, the UK's biggest mutual, the expense ratio including brokers' commissions averaged 15.5 per cent.

In effect, the Equitable has produced probably the UK's most efficient system for marketing life assurance. It was not always quite like that. Until the 1950s, the Equitable was small, and narrowly centred on London, renowned for its leadership by brilliant mathematicians like Sir William Elderton, but hardly a sales-oriented organisation.

There were to be two turning points in the Equitable's recent history. The first, says Mr Barry Sherlock, its current general manager, was in the mid-1950s, under one of his predecessors, Mr Maurice Ogborn.

Maurice Ogborn saw the possibility of developing self-employed pensions, because the self-employed have special needs. He was the catalyst for recreating the society as a vigorous sales organisation, says Mr Kinim.

The Equitable is best understood by looking again at the low expense ratio. The key to its low expenses is two-fold. The society's refusal to pay commissions is one reason, but the other secret is that it targets affluent, professional people as customers.

As a result, the average new business premium per head - \$2780 in 1987 - is relatively high, meaning that unit costs are correspondingly low.

To achieve this, Mr Wills had to create a stable sales force, with a strong esprit de corps, capable of communicating with

and the Equitable was faced with the possibility of a sudden, disastrous drop in sales. "He was the saviour at that time," recalls Mr Sherlock.

The answer was found by Mr Ken Wills, who joined the Equitable in 1973 as marketing manager, and reshaped radically the society's sales force.

Most of the recruits apply to join after reading advertisements by the Equitable in The Daily Telegraph's jobs column, but they are carefully selected. On one recent induction course, half of them were university graduates.

The Equitable instils its own philosophy into the new recruits via a highly-structured training programme. This extending over 12 months but includes periods of closely-supervised work in the field. "They have two good flows with two hats," says Mr Kinim.

They have to be salesmen, and advisers on technicalities of tax and pensions legislation. After all, they are dealing with substantial policyholders, such as accountants.

The sales force, however, is only half the story. To maintain its reputation, the Equitable believes it must ensure that its representatives never sell their customers a contract unsuitable to their individual needs. "That means we have to have a very big product range," says Mr Sherlock. In fact, the Equitable now has 70.

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Towards Europe

Continued from page 1

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The insurance industry's fears have grown much stronger lately, to spite of the fact that recent legal decisions have been running in its favour.

In this respect, the EPA's clean-up efforts have gathered pace in the 18 months since the Superfund programme was renewed by Congress in 1986.

And the second half of 1987 saw an acceleration in the rate at which policyholders were filing legal complaints demanding indemnification for toxic waste clean-up costs. In particular, both Westinghouse Electric and United Technologies Corporation started huge lawsuits against their insurers.

Possibly for years to come, the problem will remain clouded by legal uncertainty. But, says Mr Maurice Greenberg, AIG's chairman, pollution liability is now "probably the largest issue the industry will confront over the next decade."

FT Insurance Information Group to expand its service

THE FINANCIAL Times Insurance Information Group plans an autumn expansion, to provide a unique and comprehensive service tailored to the individual needs of readers.

Based around the proven success of the World Insurance Report (WIR) newsletter, now in its 14th year, a series of new publications will expand and refine the general news and company information reports which form the core of the WIR service.

From September, readers will also be able to consult WORLD POLICY GUIDE, a monthly analysis of insurance policies available in London and around the world. It will analyse and compare new policies and products developed from available in London, selecting a different sector of the market in each issue. This will be augmented by a unique listing of insurance products available by the issue date anywhere in the world.

Also available from September will be a free-standing and expanded version of the World Loss Log feature of World Insurance Report, long regarded as an essential reference tool for those concerned with claims and catastrophes.

This newsletter, as well as offering a much expanded and categorised catastrophe reference list, will feature reports on implications within the insurance industry, and for the wider industrial and financial world, of current claims and catastrophes, legislation, litigation and product and risk control developments world wide.

Details of how to subscribe to Financial Times Insurance Group publications are available from Danielle Banks on (01) 940-9331

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Towards Europe. Continued from page 1. ers - meaning US manufacturing industry. Insurers soon realised that US manufacturers would like to make them pick up the tab. The insurance industry's fears have grown much stronger lately, to spite of the fact that recent legal decisions have been running in its favour. In this respect, the EPA's clean-up efforts have gathered pace in the 18 months since the Superfund programme was renewed by Congress in 1986. And the second half of 1987 saw an acceleration in the rate at which policyholders were filing legal complaints demanding indemnification for toxic waste clean-up costs. In particular, both Westinghouse Electric and United Technologies Corporation started huge lawsuits against their insurers. Possibly for years to come, the problem will remain clouded by legal uncertainty. But, says Mr Maurice Greenberg, AIG's chairman, pollution liability is now "probably the largest issue the industry will confront over the next decade."

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# SECTION IV FINANCIAL TIMES SURVEY

Development has been driven further and further outwards from London, and economic activity is strong in south Wales, Bristol, Swindon, Reading and Slough. But the very health of the market has produced its own problems, reports property correspondent, Paul Cheeseright

## Fast lane development

IT IS HIGH summer for the property market along the M4 corridor. The stock market crash of last October has been and gone and the market scarcely blinkered. Impervious to the sensitivities of the central London market, the M4 corridor has drawn its strength rather from the growth of the national economy.

The drive of development has moved further and further outwards from London. The revival of economic activity in southern Wales, the buoyancy of Bristol and its consolidation as a major regional centre, the expansion of Swindon, the growing interest in Reading, the dynamism of the Thames Valley economy, the demand for space in Slough and around Heathrow - all have contributed to the pattern of momentum.

But the very health of the market has produced its own problems. First, the pressure for development clashes with the underlying attractions of having the development there in the first place.

Second, the economic factors behind the market are equally applicable to other areas, to other motorway corridors, so that the locational choice available to companies is widening.

Consistently development has thrust out of west London. The agreeable nature of the country-

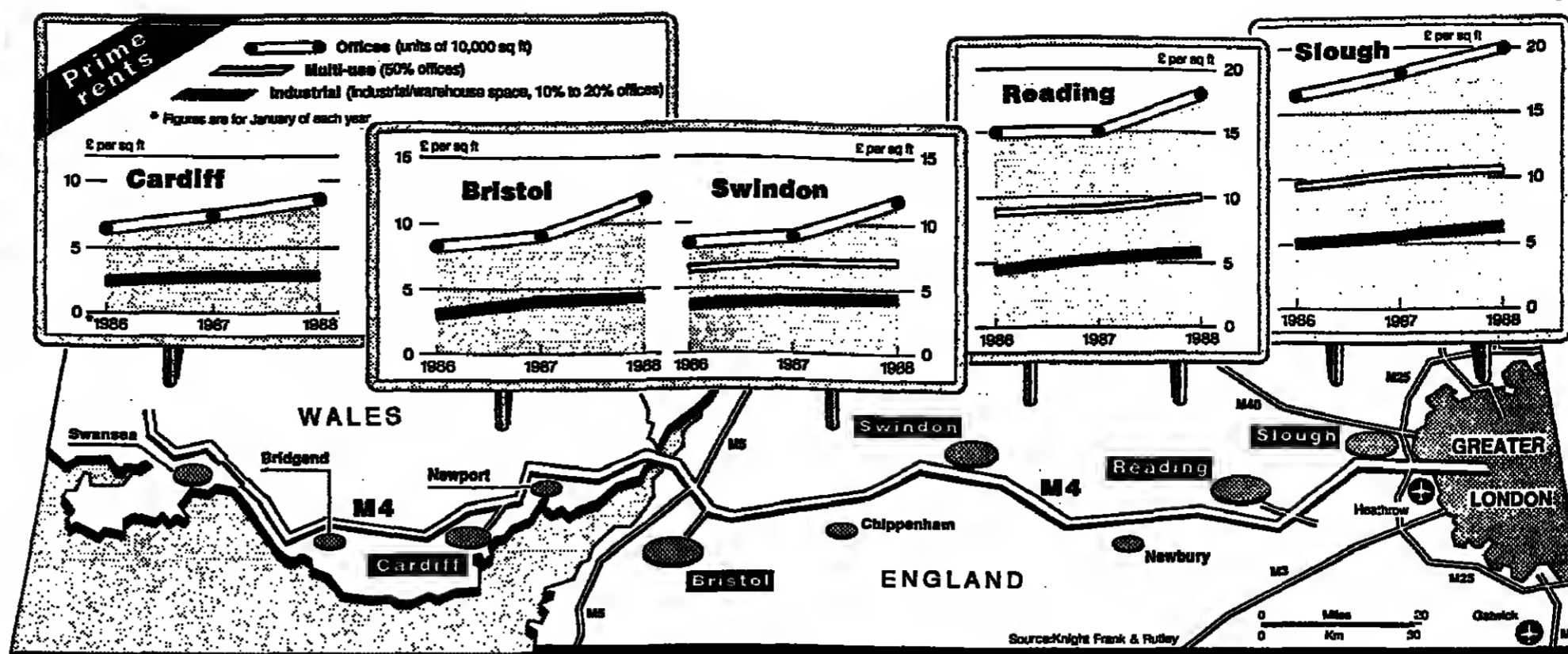
side, the motorway itself, the access to Heathrow airport, the speedy rail links to London, plus the fact that Berkshire had been singled out by the Government in its planning policy as an area of expansion, formed the growing activity down the corridor.

At the same time, tight planning policy in most of the town centres adjacent to the corridor tended to push expansion outwards from existing communities. As the economic growth continued, so the demand for housing increased.

The stage has now been reached along the eastern reaches of the corridor where there is resistance to further development. This has reached its most acute form in the dispute about housing provisions for Berkshire - a dispute which cuts into the whole question of economic development because a shortage of affordable housing acts as a deterrent to, say, the construction of new business parks.

While the Government no longer sees Berkshire as an area of expansion, it does not at the same time want to retard development. The local authorities and environmental groups such as the Council for the Protection of Rural England take a less ambitious view.

They argue that enough is



# Property along the M4

enough, that housing additional to that already envisaged in structure plans will destroy the county.

The implication of this is that the property holders already on the ground with projects developed or with planning permission, are in a stronger financial position than likely newcomers to the area. Rarely values would tend to push up rents, both accentuating the rising trend which is characteristic of the market and justifying the higher land prices.

The flaw in this reasoning is that prospective tenants do not have to go to Berkshire. While it is true that some of the company movements in, for example, the Thames Valley, are consolidations and that the area has its own internal economy independent of London, it is not a mammoth inconvenience to move a little further westwards in the knowledge that accommodation costs are likely to reduce anyway.

Once away from the Reading area, the problems of the Green Belt and Areas of Outstanding Natural Beauty diminish. Hence the major housing developments, for example, outside Swindon and at Bradley Stoke outside Bristol.

Hence the rapid expansion of business parks in the Swindon

area and around Bristol; and the interest in sites on the Welsh side of the Severn Bridge, where there is the extra inducement of aid from the Welsh Development Agency.

Many of the developments to the west are taking place outside the towns, notwithstanding Tarmac's plans for the redevelopment of the old railway engineering works in Swindon or the Norwich Union shopping plans in the same town or those of Ladbroke in Bristol.

The difficulty in Bristol is that until developments such as those at Cannons Marsh for Lloyds Bank are complete, there is simply not enough space, given the speed at which the economy is growing.

The general point though is that the growing congestion at the London end of the motorway is pushing development westwards. There is, indeed, the merging of two ripple effects: London is pushing outwards and the towns down the corridor are pressing outwards too.

This raises the question of locational choice for companies either already outside or wishing to be outside the London area, the main concentration of economic activity in the South East. This is not simply a question of moving further westwards; it is also a question of choosing

another corridor or a different focus of growth.

The expansion of the motorway network generally and the linking of the motorways emanating from London by the M25 orbital have changed the competitive position of the M4.

The economic growth which has stimulated development along the M4 has also been an impetus for development along the M3, through Surrey, leading to the M27 in Hampshire, on the M40 to Oxford, on the M1 to the north, on the M11 to Cambridge and on the M2 and M25 to the Kent coast.

At the same time, the start on construction of the Channel Tunnel has drawn attention to east Kent, while the rehabilitation of London Docklands has begun to create a new focus of development.

Many of the pressures which have been present on the M3-M27 have been precisely the same as those on the M4. But the ability to find accommodation on the other motorway corridors, generally at lower prices than those of the M4 without any marked loss of facilities, has started to retress the balance of attraction between the west on the one hand and the north, east and south-east sides of London on the other.

This would suggest that if current trends continue, the dominance of the M4 corridor as a favoured South East location for companies could start to wane. This would become apparent in any economic downturn. Hitherto the speed of growth has been quick enough to allow the expansion of property development to be absorbed without much difficulty.

Such perspectives are for the longer term. The immediate trend is for a continued strong market probably primed by the greater availability of institutional finance. Much of the expansion down the corridor so far has been led by property companies.

The financial institutions have tended to be London-centred in their investments and when they have moved out of the area to have been more comfortable in the South East. This has meant that some of their funding and development has gone down the M4 corridor. More might now be expected.

The October stock market crash came when the institutions were tending to re-appraise the property market as returns increased. The latest figures have suggested that the insurance companies and pension funds have begun to return to the market.

The M4 corridor is a natural place for them to look for new

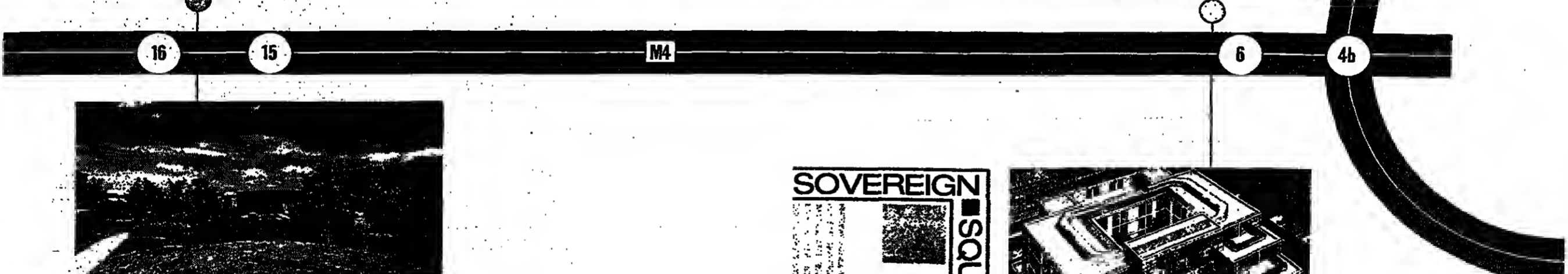
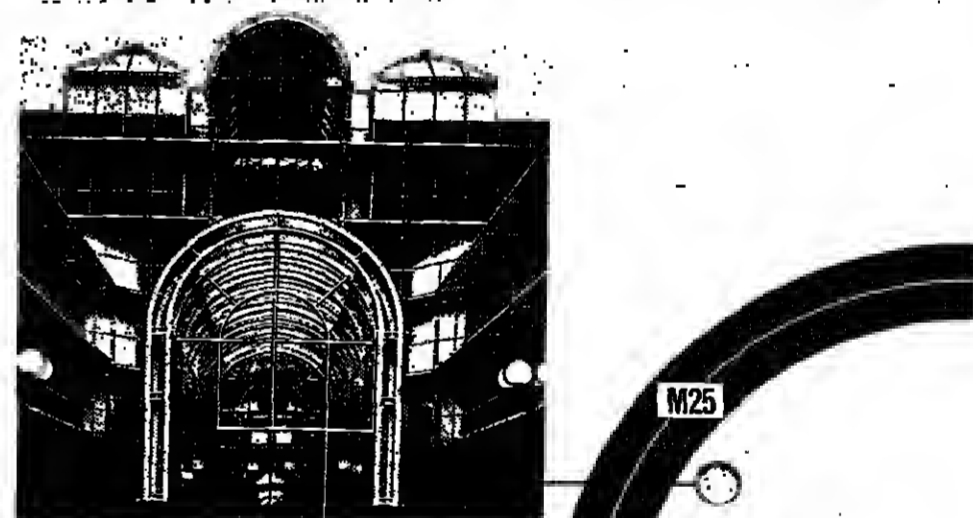
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**Sun Alliance developing for the future**

**M4 PROPERTY 2**

David Lawson on offices in the town centres

**The tenant has become king**

THE MONEYMEN are back to reclaim the rich property markets in the towns strung like beads along the motorway joining London and Wales. Investors and fund managers are rediscovering areas they had abandoned. They could have come back sooner: demand has been steadily rising over the last few years, drying up the pools of empty space and pushing up rents. But provincial office property was not attractive enough to outshine a soaring stock market nor close enough to match the much more accessible London boom areas. The shock of the stock market crash helped change a few minds. Extortionate London prices widened boundaries a little further. But the crucial factor has been the surge in rent levels in most of the main town centres as the last vestiges of top-class office space disappeared.

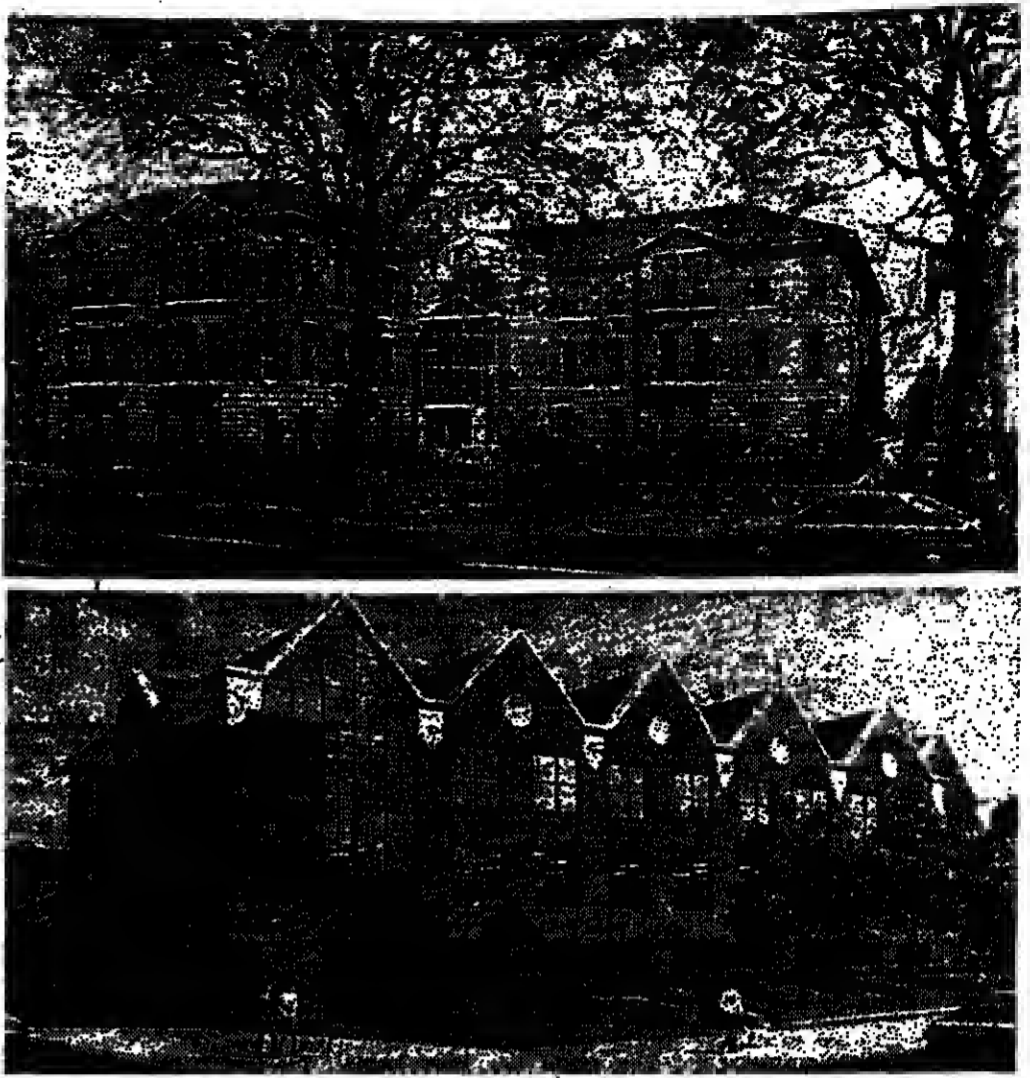
"The ones who stayed in the market, who went west when everyone else went east, are reaping the benefit," says Mr Michael Dow of agents Jones Lang Wootton. And they have learned the one difference in today's boom - the tenant is now king. Shortages may be pushing up rewards, but tenants will still demand parking, good designs and good services before paying up. Every good building receives two or three bids: the bid does struggle to let.

Of the main centres, Bristol has been a classic example of the surge in rent levels in most of the main town centres as the last vestiges of top-class office space disappeared. In 1986 it was struggling to fill almost 750,000sq ft of prime central space at rents of £7.50 a sq ft, according to St John Hartnell of agents Hartnell Taylor Cook. By the beginning of 1988 the bid had shrunk to just over 400,000sq ft and rents had hit £12. The prospect of rents touching double the 1986 level when the last space given away has attracted investors in droves.

Some developers have been here all the way through, but having to scrape around to find bank loans slowed down output, according to Mr Dow. He was just back from a tour with investors of 14 sites within walking distance of the town centre which could take 30,000sq ft of floorspace each. They will be developed, he said. But there will be a lull in supply until then, adding more pressure to rents.

Lloyds Bank revived the city's profile when it decided to move to a 200,000sq ft development in the centre, bringing back memories of the wave of relocations a few years ago. But demand is mainly for small to medium size space, according to a recent Chestertons report. The top rent of around £12 a sq ft is rimmed to have been paid for a letting of about 10,000sq ft in the giant Spectrum development by Richard Ellis for the Pru.

It is like this much of the way along the M4, with the buoyant local and national economy increasing demand for space by local businesses or encouraging national groups to create bigger regional centres. Swindon is a relative laggard according to Mr David Baker of Edward Erdman. Town centre rents hover between £2 and £10 a sq ft, even though most of the surplus space has gone, because so much of the new business class space is being encouraged on the edges of the town, close to the motorway.



Top: 78 London Road, Reading. Developers are Whitcroft Developments and Guinness Mahon Properties. Bottom: 34 Moshes Properties office development in High Street, West Drayton

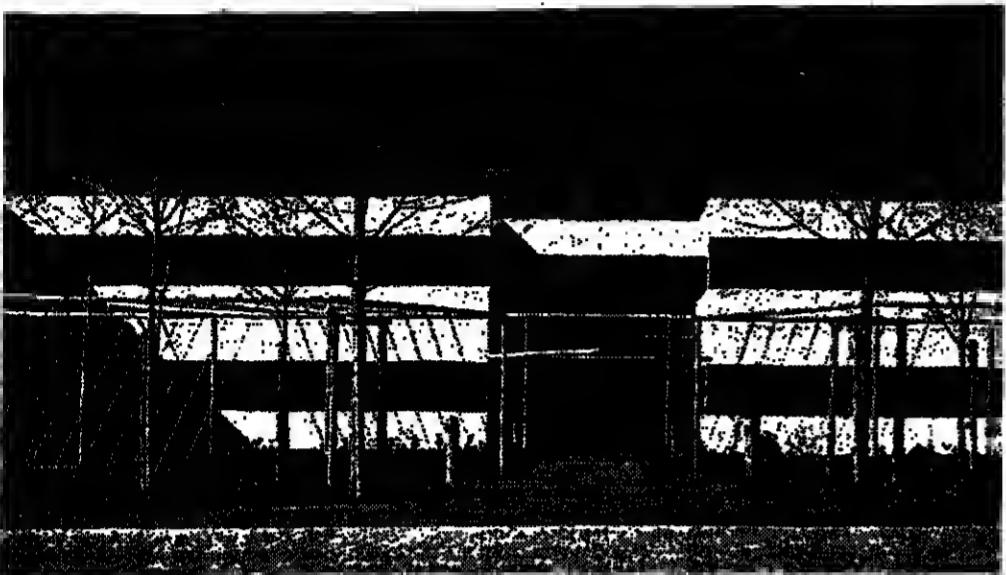
Allied Dumber has become a showpiece to attract other financial groups to the town centre, expanding again recently into the Commercial Union building. But developers are less tempted to put up more speculative space without pre-lets because much higher rents can be achieved on the business parks. Newbury has a vibrant group of established companies such as Bayer and Novak but a tight planning regime restricting development. Top rents are more than £12 a sq ft, but for small amounts of space. And some tenants are looking elsewhere to find space for expansion.

Reading, the main office focus of the explosive Thames Valley economy, is also running out of space from the boom years. Rents jumped from around £14.50 a sq ft at the beginning of last year to £17 by the close. Current negotiations are close to £18-a sq ft space left in MEPC's Abbots House and Let's Bridge Street Plaza, and the final 50,000sq ft phase of Abbots is expected to break £20 next year.

The development gap is obvious. The Prudential's Apex Plaza being built over the station will satisfy some big tenants, but set against the fact that this 200,000sq ft scheme is bigger than all the other new spaces due over restrictions hold development down to small schemes in the second. When Speybarw's 100,000sq ft Bracknell building goes, it will probably fetch more than the next year put together. That will give agents Hillier Parker and Campbell Gordon some solid bargaining power in the face of mounting demand. Slough has not seen a deal over 30,000sq ft for more than three years - mainly for lack of a big new building to let. But a handful are set to come on stream in the next 18 months to help meet demand for town centre locations from local high technology companies. A scheme such as Sun Alliance's 60,000sq ft Sovereign House could help smash the historic £18 a sq ft rent ceiling by going close to £22. Maidenhead may have already broken this barrier with rumours that a plot by Let in its 50,000sq ft Hines Meadow scheme could be the top rent paid outside the M25. This scheme is part of a wave of new supply already hitting the town, but confirmation of a pre-let at this level will prove that demand is strong enough to keep values rising.

Bracknell and Windsor are "American" addresses - one for its established US tenants and the other for the prestige. But only three big schemes are outstanding in the first and planning than £20 a sq ft compared with the best deal of £15 until now. Windsor values would be £22 plus about related to be paying M4 prices when they are leaving behind top rents which have risen by half to more than £20 a sq ft in a couple of years.

David Lawson



Top: Slough Estates' Wincob Triangle. Bottom: the Cherry Orchard West building on Sun Alliance's Kemble Park business centre in Swindon

**Business parks**

**High tech flourishes in the open spaces**

BUSINESS PARKS are now firmly entrenched in the lexicon of the British property industry and, if there is one area which more than any other was responsible for putting them there, it is the M4 corridor. This is not wholly surprising. The corridor itself had already become an established area for high technology companies, especially in the Thames Valley, and the concept of business parks, imported from the US, was first associated with just such companies.

What has happened in recent years, however, is not only an expansion of the use of what have been known as high tech buildings, but also a broadening of the area in which they are situated. Where high tech buildings - generally low rise and situated in a landscaped setting with plenty of car parking - are grouped together, they have become known as business parks.

Now they stretch down the M4

corridor from Heathrow Airport to Wales. This, of course, partly reflects the general growth in economic activity exemplified by the presence of Japanese companies in parks at both ends of the corridor, both near Heathrow and close to Cardiff. In between, development and letting activity, running along the motorway past Reading, Newbury, Swindon and Bristol, has been strong as companies have seized on the availability of premises and the relative ease of communications.

It is a moot point whether the speed of development is running ahead of demand, but as a symptom of the present situation, Campbell Gordon, the Reading chartered surveyors, recently reported that in the Thames Valley, demand for office and industrial space - that is high tech and general commercial space, rose nearly 20 per cent last year to 8.4m sq ft.

This brings demand back near the record levels of 1984. At the

same time, though, the success of companies in finding the sort of space they needed also improved. Business parks fit into this broader pattern of search and supply.

For developers and landowners, business parks have become more versatile because of the changes last year in the Use Classes Order and the creation of a B1 class, which eliminates the difference between industrial and office use and creates a general business category.

If demand flattens out for high tech industrial space, then there is the possibility of compensating by the offering of premises purely for office use. This opens up new markets, because it means that business parks owners can seek to lure town centre office users, squeezing the merits of low-density parks and an end to urban blight.

It also allows companies the chance to consolidate premises and this is a factor both for those which might become refugees

from London and from those already active in the area, but with fragmented accommodation. As an example, Digital Equipment's decision to move into Slough Estates' Wincob Triangle and Speybarw's Thames Valley Park, both near Reading, and into Arlington Securities' Newbury Park, is in part a move of consolidation.

The size of some of the parks, both planned and under development, also permits companies to expand. Lack of space in town led National Mutual Employers' Mutual General Insurance to commit itself to Coats Water Park, the joint venture proposed by Galbreath Properties and Abbott Properties outside Swindon. Availability of space induced Galileo Distribution Systems, the airlines reservation and information systems consortium, to go to St Martins Property's Windmill Park in Swindon.

Galileo agreed terms for 250,000sq ft of space, spread over 55 acres in what was thought last November to be the biggest high tech property transaction down the M4 corridor. Transactions like those in which Galileo and Digital have been involved inevitably give a fillip to the market. But developers in any case have been enthusiastic in their purchases of landholdings for new parks and of existing parks where there is the possibility of upgrading and expansion.

Hence, for example, the purchase by Arlington Securities for 23m of the existing Aztec West park near Bristol from Electricity Supply Nombress and the acquisition of 31 acres by Trafalgar House Business Parks from IBM at Wootton Bassett.

Reading has been a favoured area with parks planned or under development not only by Slough Estates and Speybarw, but also by companies such as Arlington, Prudential Portfolio Managers, Shazart Securities, ABC Properties and a consortium of Hanson and Elders IXL.

The search for sites has meant that developers have been prepared to nurse planning applications through cautious local authorities and to attempt the difficult trade-off of rehabilitating Green Belt land for a chance to develop commercially. Such an approach has recently been successfully completed by Rutland Group and RMC for land adjacent to Heathrow Airport.

However, future purchases, especially in the corridor nearest London, may be constrained both by the rise in land prices, which will have to be seen against the likely take-up of space, and by planning restraints. Developers are likely to find Berkshire a particularly difficult area: environmental concern and commercial development have clashed head on.

The chase for tenants is becoming increasingly competitive, but there seems to be little difficulty in attracting funding for well-situated parks and the buildings within them. Business parks, indeed, could become increasingly attractive to institutions at a time when they have been showing more interest in property investment - an interest enhanced by last October's stock market crash.

This March, for example, Shell Pensions Trust paid £20m for its second building at Waterside Park, the Bracknell project of London and Edinburgh Trust and Tarmac Properties.

Paul Chessexlight

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New... Leads... Some of the property market... come of the M4...

M4 PROPERTY 3

Bristol

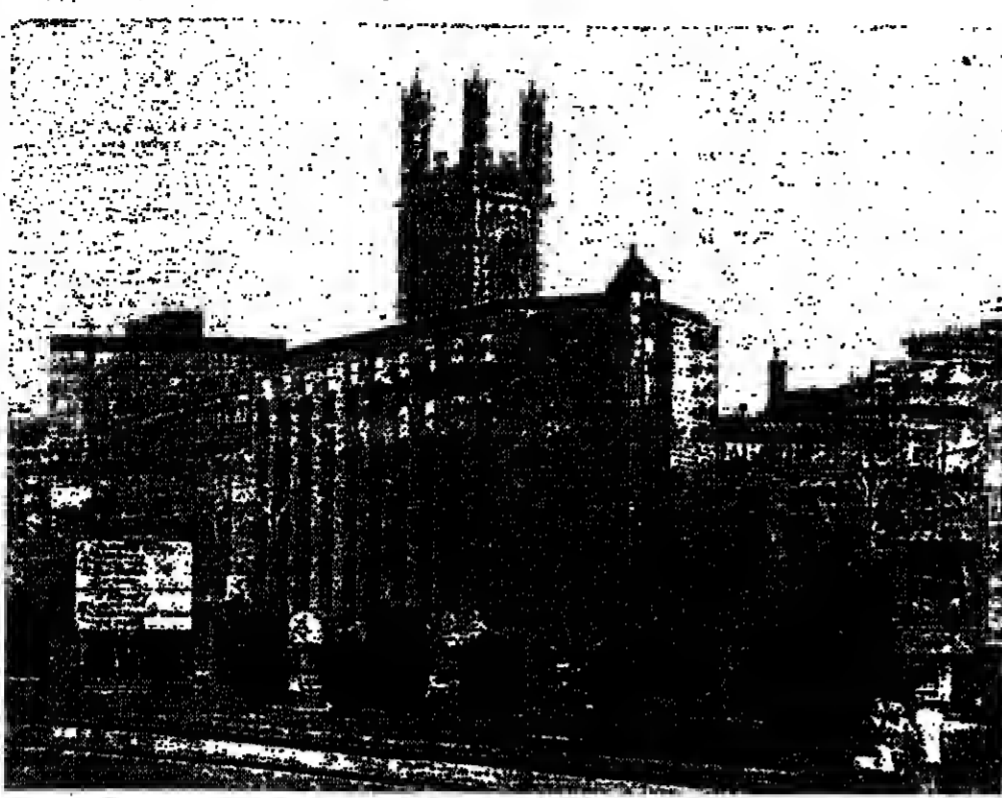
New schemes will help to meet demand

BRISTOL'S OFFICE rental market is currently on the up and up. Rents have increased from between \$5 and \$7 a square foot to around \$11 to \$12, and it looks as though this will rise still further.

However, office supply is at a premium and the only major development recently completed is the Prudential's Spectrum scheme, now almost fully let. Statistics from local agents Hartnell Taylor Cook show that there were only 14 office buildings available in Bristol during December 1987, excluding those under construction and under offer. Nine of these properties were between 5,000sq ft and 8,000sq ft, with only one near the 50,000sq ft mark and one other at more than 150,000sq ft; the 230,000sq ft at the Willis Tobacco plant.

The current shortage of space is because it was unprofitable to build office space several years ago. Hartnell Taylor Cook's figures show that in 1984 rents stood at just over \$5 a sq ft, a level which did not encourage development. According to HTC's senior partner, Mr St John Hartnell, "there is no space at all in Bristol - well, nothing of any consequence". Leyds Bank have taken a building in Bedminster. Spectrum, where Hartnell Taylor Cook and Richard Ellis are letting agents, is the last position building on the market. The three main tenants in the 114,000sq ft block are Royal Life, the RAC and Welbeck Finance.

However, there are three or four major schemes due to start. In the city centre the Royal Hotel is about to be redeveloped. The Royal fell into the hands of Norfolk Capital and then went to MP Kent. These were proposals



Planning permission is being sought for the refurbishment of Sun Alliance House in Bristol

to refurbish the property and build offices. Now the hotel is owned by Swallow Hotels who are to turn it into a five star establishment with 55,000sq ft of offices on the rest of the site to help pay for the preservation of the hotel.

Hartnell Taylor Cook, who are advising the developers on the

project, are hoping for between \$14 and \$15 a sq ft for the office space.

Mr Hartnell expects a large chunk of office accommodation to come on the Bristol market in the very near future. Willis Tobacco had a 500,000sq ft purpose-built factory constructed outside the city, designed by

architects Sidmore Owings. Subsequently, Lord Hanson bought out Imperial Tobacco, owners of Willis, leaving 230,000sq ft of offices surplus to requirements.

Mr Andrew Handwick of Chesterton points to the high take up of office space over the last year. He says that about 850,000sq ft has been let in the last year. Sup-

ply is now down to 450,000sq ft in total compared with 1.1m sq ft two years ago. There has been a general uplift in rents over the last 12 months - which in turn will lead to increased development and investment.

Spectrum is the most famous landmark in Bristol. It was slow to let but Royal Life and the RAC have now taken space at about \$10 a sq ft.

Bristol's shopping scene has long been a source of controversy in the town centre/out of town debate. The two protagonists at out of town Cribbs Causeway, JP Baylis and the Prudential, have now decided to join forces and have been asked by the council to come up with a scheme which provides approximately 575,000sq ft of shopping and extensive leisure facilities.

Originally, the two developers had wanted to build two separate centres next door to one another, both of 850,000sq ft. When it became clear that the planners would not sanction two schemes, Baylis and the Pru decided to pool resources.

What the effect of such a massive scheme will be on the city centre, and in particular Broadmead, the traditional heart of Bristol's shopping, is not yet clear. Ledbrook City & County Land now have full planning permission for the Galleries, a scheme on a 5.5 acre site, bounded by Broadmead, Merchant Street, Newgate and Union Street.

The project will have 571,676sq ft of shopping. Architects for the Galleries are Leslie Jones and letting agents Hartnell Taylor Cook and Hammond Phillips. Commenting on the current shopping situation in Bristol, Mr Stuart Williams of Chesterton

says: "The overall view is that demand is very strong and this is reflected in the substantial level of premiums being achieved for relatively secondary property. In Penn Street we got a \$25,000 premium for a shop where 18 months ago we wouldn't have got \$10,000."

Probably Bristol's most famous business park development is Arlington Securities' Assac West which is now on course for 2m sq ft of space. More than 700,000sq ft, covering half of the 187 acre site, has been let and about 180,000sq ft is due for completion between now and the end of the year.

The news at the end of last year that Bristol had been chosen by the Government for an urban development corporation (UDC) has met with a guarded welcome from local surveyors JP Sturges & Sons. The firm says: "It will be impossible to assess the true impact of the corporation until it is actually running because circumstances are so different from elsewhere in the country." Virtually all controls are taken from the local authority and given to the UDC.

JP Sturges' development partner, Mr Edward Cusson, expects resistance from the local authority. He says: "The local authorities will undoubtedly view an outside body, which comes in and takes some of their powers away, with some suspicion. I believe local authority support is crucial."

Mr Cusson adds: "I also believe that development should not be encouraged in opposition to market forces and to the disadvantages of more important strategic issues."

Janice McKenzie

Housing

Battle royal for the royal county

IT IS High Noon for Newbury and pistols at dawn at Wokingham. Somewhere, in the narrow pass between a designated Green Belt and a designated Area of Outstanding Natural Beauty, not a million miles from Reading, there is to be a fight to the last semi between the reds, with their bricks and mortar, led by the Housebuilders' Federation and Consortium Developments, and the green cavalry led by Mr Michael Heseltine. The sheriff, Mr Nicholas Ridley, recently realised that demand for housing in the South-East was going to be so great - an extra million before the end of the century - that something would have to give, and that something might as well be undesignated areas previously not considered worthy of special environmental protection. But the preacher, the Council for the

Protection of Rural England (CPRE), has mounted an extremely large soap box and described the 7,000 additional houses allowed by Mr Ridley in Berkshire as a "death threat". Worthy of a film by David Puttnam, perhaps A Killing in the Green Fields? But wait - the great and good Mr Puttnam himself has become something less of a Local Hero and fallen foul of the CPRE over his attempts to divert an historic footpath to stop passers-by peering into the historic living room of his typical village home in nearby Wiltshire. The Puttnam episode has little significance in the Berkshire row other than to cause a second look to be taken at the CPRE's "death threat" leaflet. It contains the signatures of, among others, Tim Brooke-Taylor, Peter de Savary, Ernie Wise, Sir Michael Horner, Wendy Craig and that

well-known environmentalist and woodlands enthusiast Terry Wogan. Their slogan is "Keep Berkshire Beautiful". The battle centres round 7,000 houses to be built (or not) between now and 1996 - the difference between the 96,530 the county council is prepared to accept and the 43,800 the Environment Secretary thinks are needed. Both figures imply a substantial reduction from current levels of 4,000 completions a year to 3,000 or fewer. Maintaining current levels, as requested by the Housebuilders' Federation, would bring the 1996 total to 32,000. The increases mainly affect Slough, Wokingham, Bracknell and Newbury. This is almost inevitable in spite of the CPRE's protestations about "some of Britain's finest scenery": the areas in question have not been

considered attractive enough to merit any special protection - and in that they are almost unique in the Home Counties, where Green areas now leave little room for flexibility. The problem is that economic prosperity is affected by housing. People may be prepared - reluctantly - to commute to London or Manchester, but they do not expect to have to spend hours on the road commuting to the North Bank Business Park, Millbury Business Park at Wokingham, or the Womersley Triangle. John Norgate is chairman of Trencherwood, a development company which now has 85 per cent of the local new housing market in West Berkshire. Once a sleepy rural community, the Newbury/Thatcham area has in recent years been "invaded" by Norak Data, Sony, Racal, Digital, Bayer, BOC and others. Norgate welcomed the increase in provision for the area from 850 units to 2,200, but still regards it as inadequate. "We and other local developers believe that a total of 2,500 new units are needed just for indigenous growth, and that does not allow for any significant in-migration generated by the area's commercial strength. In the starter home category, particularly, we cannot meet the strong demand because there is not enough land coming forward."

Waiting in the wings as the drama unfolds is Consortium Developments, the grouping of Britain's top housebuilders seeking to establish "new country towns" instead of the ad hoc sprawling growth and infilling which is currently the order of the day. Consortium made the critical error of siting their first such settlement in the Metropolitan Green Belt, and they have learned the lesson. But, while they have no designs on Berkshire, they too are finding that not being in the Green Belt in no way lowers the decibels of opposition. Both their current sites, Poxley Wood in Hampshire and Stone Bassett in Oxfordshire, are miles away from any designated area. Their opponents have now substituted the meaningless "green fields" for the sacrosanct Green Belt and continue to cry Blue Murder. Berkshire may now be the epicentre of the tremor, but the vibrations are spreading. Nobody loves a housebuilder or a new estate. But whether victory eventually goes to the bricks or the bluebirds will have a profound effect on broader issues. In a way, the battle of the prosperity of the South-East is being fought on the green fields of Berkshire.

Mira Bar-Hillel Mr Nicholas Ridley gets dug in

Slough

B1 leads to upturn

SLOUGH has benefited from the general prosperity of the Thames Valley and 1987 was a particularly good year for the town. All sectors of the market have done well out of the boom. Slough Estates, probably one of the best-known developers in the country, are currently revamping the famous Slough Trading Estate. Pre-war buildings have been pulled down to make way for high tech space, but at the same time traditional industry on the estate has not been as hard hit as in other parts of the country. Long-established tenants have tended to relocate to other parts of the estate rather than move out. By the end of next year nearly

all the land that could be developed on the 600-acre estate will have been built on and Slough Estates is now looking at new sites on the estate's boundary in Farnham Road. Not that there is a lack of redevelopment opportunity on the estate itself - it is estimated that it would take 30 years to redevelop the entire property, even if development were to continue at its present rate of 250,000sq ft a year. The company has now received planning permission for 75,000sq ft of offices in Buckingham Avenue; 35,500sq ft of mixed use in Bealish Road; and 61,000sq ft also of mixed use at 288 Bath Road. Retail warehousing has made

only a small inroad into the estate with the latest development being a WH Smith Do It All on Farnham Road. The former council-owned social centre nearby is currently the subject of talks between Slough Estates and the borough council. The council favours a commercial project so that the money generated can be used to provide leisure facilities elsewhere. Other industrial companies involved in the Slough market include Crest Estates who have built the Progress Business Centre on Whittle Park Way, to the west of the trading estate and opposite the spur to Junction Road. Continued on p4

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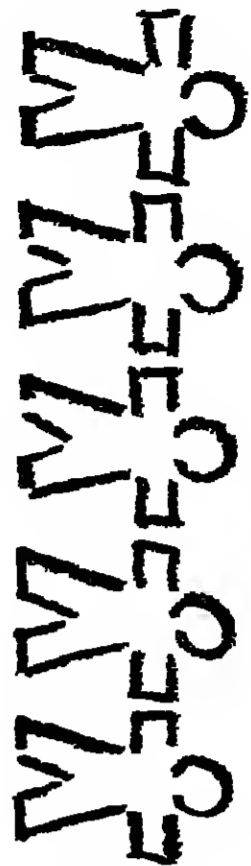


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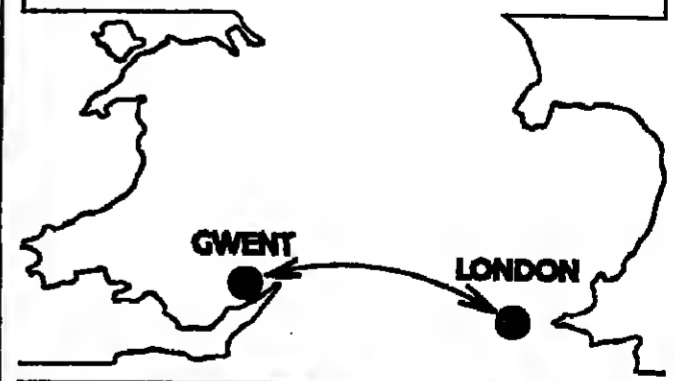
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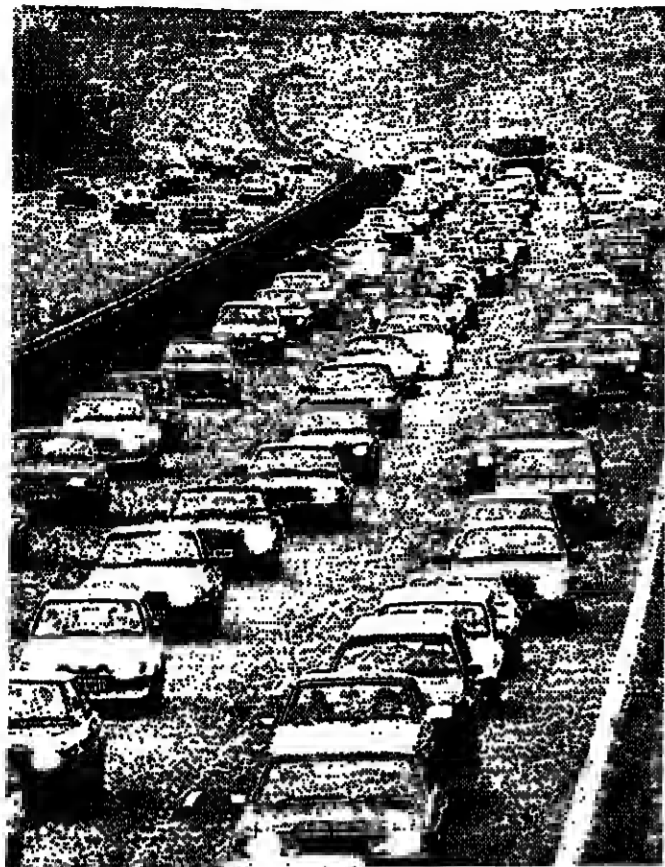


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M4 PROPERTY 4

Berkshire

Shift away from warehousing



Homeward eastbound: a less appealing face of the M4. Earlier Monday saw a 120 mile, Bristol to London traffic jam - reported to be a record for the M4

IN JANUARY of this year Mr Nicholas Ridley, Environment Secretary, published his proposed modification to the draft replacement Structure Plan for Berkshire. His decisions on the house-building front, closely followed by colourful exchanges with a former Environment Secretary, Mr Michael Heseltine, grabbed the headlines, but his other pronouncements will have considerable effects on the commercial property scene as well.

Overall, Mr Ridley has accepted that Central Berkshire will no longer be regarded as a growth area, thereby trying to balance the pressures for housing and employment, with the "not in my back yard" attitude of local politicians.

But at the same time, he rejected the county council's recently adopted policy statement on B1 (the B1 class eliminates the distinction between industrial and office use and creates a general business category) and rejected their attempts to control the rate of office development and an upper limit on additional retail space.

However, according to Berkshire agents, Campbell Gordon: "It is inconceivable that there will be a sufficient supply of employment accommodation to satisfy local demand."

It is against this background and - for potential occupiers at least - pessimistic outlook, that the facts must be analysed.

Demand for commercial and industrial property in the

Thames Valley continues space. For the second year running, demand for space has topped 20m sq ft - but there has been a discernible shift in what tenants are looking for.

Campbell Gordon are well placed to gauge the latest trends. They find that demand for light industrial space - basic units with ancillary office accommodation - has increased by 30 per cent from 1986 to 1987. Demand for office and industrial space - high tech and the new B1 category - increased by about 20 per cent. Both flourished at the expense of warehousing and town centre office space for which demand has fallen.

Mr Ian Campbell says the continuing success of the area and firms operating in it depends on their ability to find the variety of space they need. Current demand is for more small units of accommodation of good quality - provided they can be available on short lease terms. His own firm was approached in 1987 by 1,390 companies seeking accommodation - 899 of them wanting at least 5,000sq ft.

The level of rents has also increased. The fastest growth sector during 1987 was factory and

warehouse rents, often reflected in high premiums which are up from about \$4 a sq ft to almost \$5.

On the other hand, rents for the best type of high tech space,

The high tech market is volatile and tenants require more attention

now tidily categorised B1, are approaching office rents as the electronics and computer companies continue to be drawn to the area.

The effects of Black Monday are certainly minimal to non-existent at present and are expected to remain very limited: demand has recovered from the 1985 low of 5.3m sq ft to 8.4m last year. Ian Campbell is especially encouraged that three-quarters of total demand is from companies looking for high tech space not

over 15,000 sq ft. "This is clear evidence of a strong and healthy level of activity among the small firms in the area, many newly established."

A useful indicator of the property market in Berkshire has been the decision of Digital Equipment, which has headquarters in Reading, to buy 30 acres on the North Reading Business Park. This was greeted with great relief in the area, since the failure of Reading Council to tackle its traffic problems was seen by local agents to be causing several companies in the town to look elsewhere.

Tardiness in implementing road-building programmes has shaken up the office market which has fallen well behind London rents. Reading office rents, with a high around £17 a sq ft, are now more like those in Basingstoke, while the West End has shot ahead, hitting the \$50 a sq ft mark. Major road programmes are

now in hand. According to Simon Fryer of Campbell Gordon, the unexpected Cinderella of Berkshire is traditional industrial space. This is not really all that unexpected, since rentals in this sector tend to equate to premiums paid on high tech.

This means there is little interest in providing such space, it is therefore difficult to find, and anyone who really wants it is having to pay more. But \$67 a sq ft, even if it is a 50 per cent rise from \$4.5 a sq ft, is still a meagre incentive for investors who tend to try their luck on B1 units instead. Here the returns can be much higher - once the property is let.

But even the high tech silver lining has a cloud. The market is volatile and tenants require more attention, be it at the planning, design, fitting out or lease drafting stages. One offshoot of an American company took 7,000sq ft in Berkshire in 1987 - and

now want 40,000sq ft for occupation by autumn 1988. Such companies are reluctant - and some refuse outright - to accept 25-year leases.

So what of Cinderella? Crest Estates has built a new industrial development in Wokingham called Full Circle. It is so named, say the developers, to indicate that the industrial sector has come full circle from traditional sheds, through high tech and B1 units, back to sheds again. Of course, this depends on demand for high tech stabilising so that pressure on land prices is eased. Then sheds, like Full Circle's, on a site without a main road frontage, can be offered at \$5.25-6.75 a sq ft, unlettable, with 30 per cent office space, no tenant incentives and no break clauses.

Mira Bar-Hillel

Portman Hotel

Park Lane Hotels International bought the Churchill Hotel, Portman Square, London, and not the Portman Hotel, as stated in the West End and Victoria Property Survey of March 11.

B1 leads to upturn in Slough

Continued from p3

Seven of the M4. The 68,000sq ft scheme has 23 high tech units from 1,700 to 6,000sq ft and so far 14 have been sold, although the development is only now nearing completion.

Most of the buyers have been owner-occupiers but some have been bought by investors. Agents for the project are Strutt & Parker, Chivers and Croft & Co.

The M25 had an injurious effect on Slough's office market since it came along at a time when the town had little to offer in the way of new development. London & Provincial Shop Centres, now a part of Randworth Trust, ran into problems with one of their schemes three years ago and had to drop the asking rent from £17.50 a sq ft in order to let the property.

Now the town's office allocation has been sorted out by the planners, the office development scene looks set to boom again. Nearly 750,000sq ft is either under construction or at the planning stage. However, only a tenth of this will be completed by the end of the year.

If everything goes according to plan, then rents should hit the £20 a sq ft mark although current rents are nowhere near this and have been sticking for about two years. The highest rent yet achieved,

according to local agents Giddy & Giddy, has been £17 a sq ft for the Beacontree Ortel development at 1 London Road where the firm let space to Albee Computers. Other new space let in 1987 was limited to smaller developments of between 2,000 and 6,000sq ft.

Giddy & Giddy says: "The introduction of the Use Classes Order has resulted in a dramatic upturn in Slough in new office/B1 developments now under construction. [The new B1 class makes no distinction between industrial and office use]. At the present time 10 major projects have reached this stage with an aggregate floor area of 265,570sq ft."

"Some of the schemes are likely to be projected to achieve rentals around and above £30 a sq ft."

"During the coming year, we expect at least 23 office B1 schemes to be started, with a projected floor area in excess of 400,000sq ft. The majority of these schemes are entirely new developments but in the future we foresee that developers and owners will be forced to recycle existing substantial 1960s and 1970s buildings which are virtually unlettable in the second-hand market."

The agents continue: "The advent of the new B1 Use Class



Slough trading estate

Order is yet to have its full impact. However, at the present time buildings totalling 87,000sq ft are under construction in Langley and two schemes involving 140,000sq ft are on the point of completion on the Bath Road.

Slough Estates has three B1 use buildings under construction and these are certainly unlikely to be the last, as recent negotiations within the estate indicate that a number of their Bath and Farnham Road frontage sites will be back in their hands in the next year or so.

Sue Denton

Anthony Moreton on south Wales property

Cardiff boom goes westward

"WE ARE in a boom. There is no other word to describe it." The speaker is Mr Roger Thomas, of Cooke & Arkwright, in Cardiff, and he is describing the property situation along the motorway around the Welsh capital.

Others support his view. Debenham Tewson & Chinnocks' Mr Rhys James adds that "demand is buoyant across the board, and the general upturn in the economy is being reflected throughout the property market."

And Beverley Jones, of the Chestnut firm Beverley Jones and Partners, says that south Wales is "beginning to sense an M4 corridor factor."

The man best placed to confirm that is Phil Head, property director of the Welsh Development Agency, who, a year ago, was concerned that, while property interest was building up at the entrance to south Wales, it was still difficult to convince developers of the attractions of Swansea and points west.

Today, he is a lot more optimistic. His property portfolio ranges from Milford Haven to Newport, and a lot up the industrial valleys.

His view is that, while there are some difficulties in attracting people beyond Bridgend, it is a lot easier than 12 months ago. "In fact, we have almost nothing now in Llanelli, and the very strong demand being experienced in south Wales is spread over the whole area."

The WDA is virtually devoid of any lettable units near the motorway itself, and a big building programme will take place this year to cater for demand. In particular, the agency is turning increasingly to the high-tech units sought by modern industry, and is bringing forward sites in both Swansea and Llanelli. It is also building in the Bridgend area, which has had a remarkable suc-

cess rate in lettings.

That success can be seen most obviously in the centre of Cardiff, where New Baltic House, an office block, is approaching completion and the Bailey group has a number of developments in hand, one of which is a 65,000sq ft office block bought from South Glamorgan County Council, which this summer moves into a new headquarters in Cardiff's docklands.

The redevelopment of Cardiff's decaying docklands by a development corporation will focus enormous attention on the city and the rest of south-east Wales, especially as an imaginative scheme has just been launched to turn this part of the country into a major financial centre. The intention is to build a balanced community in the bay, in which financial services will play a vitally important role. A large number of high-tech buildings will be needed.

Before that can happen, Newport is the focus of more immediate attention as the TSB's insurance operations begin to filter into the town and the Patent Office is, in the near future, relocated there from London.

Mr Peter Walker, the Welsh Secretary, tells a story of how three young executives led a deputation to their chairman when it was announced, six years ago, that their banking operation was to be transferred to Cardiff. Now, he has been informed, these same executives would lead another deputation to their chairman if there was any possibility of the bank's being moved out of the Welsh capital. They want to stay.

It is factors such as this that have helped boost demand within south Wales. And the rising demand has led to higher rent rolls, which will in a circular fashion lead to more interest from the private sector.

Mr Head says that rents for high-tech units in Newport have topped \$5 a square foot, and in Bridgend they are between \$3 and \$4 for units over 25,000sq ft. In Cardiff, prices are approaching \$10.

Mr James believes that "the magic £10 barrier will be broken in the course of the year". However, as Mr Jones says, prices are still very cheap compared with just across the Severn Bridge. Land around Bristol is commanding \$250,000 an acre, compared with under \$100,000 in the Newport area. So it pays to move just a few miles to the west.

For many, the Severn Bridge itself is an inhibiting factor. But when the second Severn crossing is completed, in the early 1990s, it should lead to a price explosion in south Wales; so that, as Mr Head comments, "the time to get in on the ground floor is now".

"I certainly see an escalation in property being more highly rated than in the past," Mr Thomas adds. "Every junction on the motorway is now a target for development."

For Mr Head, one of the most encouraging features of the past year has been the way in which investment interest has spread up the industrial valleys, long ignored by the developers. The WDA has very little property available in the valleys, and Mr Head attributes this situation not just to the buoyant economy but also to the improvement in the roads that run up the valleys themselves.

There has been an enormous improvement in the roads in south Wales, with dual carriageway running part or most of the way up many valleys. This has made it easier for a company to consider a location such as the Rhondda.

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